

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by China XLX Fertiliser Ltd. (the “Company”). If you are in any doubt in relation to any aspect of this Circular or as to the course of action that you should take, you should consult your stockbroker, a licensed securities dealer, registered dealer in securities or registered institution in securities, a bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid-up ordinary shares (“Shares”) in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee, as CDP will arrange for a separate Circular to be sent to the purchaser or transferee.

If you have sold or transferred all your Shares (other than those held through CDP), you should immediately hand this Circular together with the Notice of Extraordinary General Meeting and the attached proxy form to the purchaser or transferee or to the bank, stockbroker, licensed securities dealer, registered institution in securities or other agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

This Circular, the Exit Offer Letter and the Acceptance Forms (all as defined herein) shall not be construed as, may not be used for the purposes of, and does not constitute a notice or proposal or advertisement or an offer or invitation or solicitation in any jurisdiction or in any circumstance in which such a notice or proposal or advertisement or an offer or invitation or solicitation is unlawful or not authorised, or to any person to whom it is unlawful to make such a notice or proposal or advertisement or an offer or invitation or solicitation. This Circular does not constitute an invitation to purchase or subscribe for any securities.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

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CHINA XLX FERTILISER LTD.

中國心連心化肥有限公司*

(Incorporated in Singapore on 17 July 2006)

(Company Registration No. 200610384G)

(Singapore Stock Code: B9R)

(Hong Kong Stock Code: 1866)

* For identification purpose only

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- (1) **THE CONDITIONAL CASH EXIT OFFER BY THE JOINT FINANCIAL ADVISERS (AS DEFINED HEREIN) FOR AND ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) TO ACQUIRE ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF THE COMPANY OTHER THAN (I) THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR CONCERT GROUP (AS DEFINED HEREIN); (II) THE UNDERTAKING SHARES (AS DEFINED HEREIN) AND (III) THE UNDERTAKING BONDS (AS DEFINED HEREIN); AND**
- (2) **THE PROPOSED VOLUNTARY DELISTING OF THE SHARES OF THE COMPANY FROM THE OFFICIAL LIST OF THE MAINBOARD OF THE SGX-ST (AS DEFINED HEREIN) PURSUANT TO RULES 1307 AND 1309 OF THE SGX-ST LISTING MANUAL**

Independent Financial Adviser to the Independent Board Committee of China XLX Fertiliser Ltd.



ING Bank N.V.

Important Dates and Times:

Last date and time for lodgement of proxy form	:	19 July 2014 at 11:00 a.m. (Hong Kong and Singapore time)
Date and time of Extraordinary General Meeting	:	21 July 2014 at 11:00 a.m. (Hong Kong and Singapore time)
Venue of Extraordinary General Meeting	:	Amara Sanctuary Resort Sentosa, 1 Larkhill Road Sentosa, Singapore 099394

CORPORATE INFORMATION

Board of Directors	:	Liu Xingxu (Chairman, Chief Executive Officer and executive Director) Yan Yunhua (Chief Financial Officer and executive Director) Li Buwen (executive Director) Lian Jie (Non-executive Director) Ong Kian Guan (Lead Independent Non-executive Director) Li Shengxiao (Independent Non-executive Director) Ong Wei Jin (Independent Non-executive Director)
Joint Company Secretaries	:	Teo Meng Keong Soon Yuk Tai
Registered Office	:	80 Robinson Road #02-00 Singapore 068898
Principal Share Registrar in Singapore	:	Tricor Barbinder Share Registration Services 80 Robinson Road #02-00 Singapore 068898
Branch Share Registrar and Transfer Office in Hong Kong	:	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East Hong Kong
Auditors	:	Ernst & Young LLP One Raffles Quay, North Tower Level 18 Singapore 048583
Independent Financial Adviser to the Independent Board Committee in relation to the Delisting and the Exit Offer	:	ING Bank N.V. Principal place of business in Singapore: 9 Raffles Place #19-02 Republic Plaza Singapore 048619 Principal place of business in Hong Kong: 36/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Legal Adviser to the Company as to Singapore Law in relation to the Delisting and the Exit Offer	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542
Legal Adviser to the Company as to Hong Kong Law in relation to the Delisting and the Exit Offer	:	Deacons 5th Floor Alexandra House 18 Chater Road Central, Hong Kong

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DEFINITIONS

In this Circular, the following expressions have the meanings set out below unless the context requires otherwise:

Term	Meaning
“1QFY2014”	: The first quarter ended 31 March 2014
“2013 Final Dividend”	: The final dividend of RMB0.06 per Share (being S\$0.012 and HK\$0.0774 as at the date of payment of such dividend) in respect of FY2013 which was approved by Shareholders at the Company’s annual general meeting held on 24 April 2014 and was paid on 26 May 2014 to Shareholders registered with the Company, CCASS or with CDP (as the case may be) as at the 2013 Final Dividend Record Date
“2013 Final Dividend Record Date”	: 9 May 2014, being the Record Date for the 2013 Final Dividend
“Acceptance Forms”	: The SG FAA, the SG FAT and the HK FAT
“Address Notification Form”	: The form sent to Shareholders who hold their Shares through CDP and Singapore Registered Shareholders together with this Circular for the purpose of allowing Shareholders who hold their Shares through CDP and Singapore Registered Shareholders who do not accept the Exit Offer to provide, if they wish to do so, an address in Hong Kong for the delivery of their share certificates by ordinary post, at their own risk, in respect of their Shares transferred from the Singapore Register to the HK Branch Register following the completion of the Delisting
“Articles” or “Articles of Association”	: The articles of association of the Company
“Auditors”	: Ernst & Young LLP
“Board”	: The board of Directors of the Company
“Bondholder”	: Nitro Capital Limited
“Bonds”	: The 4.5% convertible bonds due on 21 December 2016 and issued by the Company to the Bondholder on 21 December 2011 with an aggregate outstanding principal amount of RMB324,366,153.50, which are convertible into 176,000,000 Shares at the prevailing conversion price of approximately RMB1.84 per Share as at the Latest Practicable Date
“Bonds Undertaking”	: The irrevocable undertaking dated 31 March 2014 provided by the Bondholder to the Offeror as described in Section 7.1 in “Letter to Shareholders” of this Circular
“Branch Share Registrar and Transfer Office in Hong Kong”	: Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong

DEFINITIONS

- “Business Day”** : A day other than Saturday, Sunday or a public holiday on which commercial banks in Hong Kong and/or Singapore, or the SEHK and/or the SGX-ST (as the case may be) are open for the transaction of business
- “BVI”** : The British Virgin Islands
- “CCASS”** : The Central Clearing and Settlement System established and operated by the HKSCC
- “CDP”** : The Central Depository (Pte) Limited of Singapore, which operates the Central Depository System for the holding and transfer of book-entry securities
- “Circular”** : This circular issued by the Company to the Shareholders in connection with the Exit Offer and the Delisting, setting out, amongst other things: (i) a letter of advice from the IFA to the Independent Board Committee in relation to the Exit Offer and the Delisting; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Exit Offer and the Delisting; and (iii) the notice of EGM
- “CITIC Securities”** : CITIC Securities Corporate Finance (HK) Limited, the Hong Kong financial adviser to the Offeror, is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
- “CLSA Singapore”** : CLSA Singapore Pte Ltd, the Singapore financial adviser to the Offeror, holds a Capital Markets Services Licence from the Monetary Authority of Singapore for certain regulated activities including, without limitation, Dealing in Securities and Advising on Corporate Finance
- “Closing Date”** : 4 August 2014, being the last day for the lodgement of acceptances of the Exit Offer and the 14th day after the date of the announcement of satisfaction of the Condition (assuming that the Delisting Resolution is approved by the Shareholders at the EGM)
- “Company”** : China XLX Fertiliser Ltd., a company incorporated with limited liability as a private company under the laws of Singapore on 17 July 2006 and subsequently converted into a public company on 15 May 2007, and the Shares of which are listed on the Official List of the Main Board of the SGX-ST and the Main Board of the SEHK
- “Company Securities”** : Shares and securities which carry voting rights in the Company and convertible securities, warrants, options or derivatives in respect of, such Shares or securities of the Company
- “Condition”** : The condition in respect of the Delisting and the Exit Offer as set out in Section 2.1.1 in “Letter to Shareholders” of this Circular
- “Consolidated Group NTA per Share”** : The consolidated net tangible asset per Share of the Group based on the latest published accounts prior to the date of this Circular

DEFINITIONS

“Controlling Shareholder”	:	A Shareholder of the Company who (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury Shares) (subject to the discretion of the SGX-ST which may nevertheless determine that such a person is not a Controlling Shareholder); or (b) in fact exercises control over the Company
“CPF”	:	Central Provident Fund of Singapore
“CPF Agent Banks”	:	Banks approved by CPF to be its agent banks, namely, DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited and United Overseas Bank Limited
“CPFIS”	:	Central Provident Fund Investment Scheme of Singapore
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF savings in Singapore
“Delisting”	:	The proposed voluntary delisting of the Company from the Official List of the Mainboard of the SGX-ST pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual
“Delisting Proposal”	:	The formal proposal dated 31 March 2014 presented by the Offeror to the Board to seek the Delisting
“Delisting Resolution”	:	The resolution to be approved by Shareholders at the EGM in relation to the Delisting
“Depositor”	:	A person who has an account directly with CDP (and not through a Depository Agent) or a Depository Agent but not a sub-account holder
“Depository Agent”	:	A member company of the SGX-ST, a trust company (licensed under the Trust Companies Act, Chapter 336 of Singapore), a banking corporation or merchant bank (approved by the Monetary Authority of Singapore under the Monetary Authority of Singapore Act, Chapter 186 of Singapore) or any other person or body approved by CDP who or which: (a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between CDP and the depository agent; (b) deposits book-entry securities with CDP on behalf of the sub-account holders; and (c) establishes an account in its name with CDP
“Depository Register”	:	A register maintained by CDP in respect of book-entry securities
“Directors”	:	The directors of the Company
“Distributions”	:	Dividends, rights and other distributions in respect of Shares, including the 2013 Final Dividend

DEFINITIONS

“EGM”	:	The extraordinary general meeting of the Company to be convened on 21 July 2014 at 11:00 a.m. (Hong Kong and Singapore time) at Amara Sanctuary Resort Sentosa, 1 Larkhill Road Sentosa, Singapore 099394 to consider if thought fit, to approve the Delisting Resolution, notice of which is set out on page 193 of this Circular
“Encumbrances”	:	Any claim, lien, equity, mortgage, charge, encumbrance, right of pre-emption and other third party right and interest of any nature whatsoever
“Executive”	:	The Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Exit Offer”	:	The conditional cash offer made by the Joint Financial Advisers for and on behalf of the Offeror for the Offer Shares
“Exit Offer Facility”	:	The facility granted to the Offeror by CITIC Securities Brokerage (HK) Limited pursuant to the facility agreement dated 31 March 2014 entered into between the Offeror and CITIC Securities Brokerage (HK) Limited
“Exit Offer Letter”	:	The letter dated 18 June 2014 setting out, amongst other things, details of the Exit Offer (including the expected timetable and terms of the Exit Offer), together with the relevant form(s) of acceptance which is issued by the Joint Financial Advisers, for and on behalf of the Offeror, to all the Shareholders in connection with the Exit Offer in accordance with Singapore Takeover Code and the HK Takeover Code
“Exit Offer Price”	:	S\$0.40 for each Offer Share ¹
“FY2011”	:	Financial year ended 31 December 2011
“FY2012”	:	Financial year ended 31 December 2012
“FY2013”	:	Financial year ended 31 December 2013
“Go Power”	:	Go Power Investments Limited, a company incorporated in the BVI, the beneficial interests in which are held by (i) Ms. Yan; (ii) certain current and past employees; and (iii) certain past and present customers/suppliers of the Group, and which is controlled pursuant to trust confirmations by Ms. Yan
“Group”	:	The Company, its subsidiaries and associated companies
“HK Branch Register”	:	The register of members of the Company in Hong Kong
“HK Branch Registered Shareholders”	:	Shareholders whose Shares are held under their own names on the HK Branch Register

¹ The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” in this Circular.

DEFINITIONS

“HK FAT”	:	Form of Acceptance and Transfer for Offer Shares, applicable to HK Branch Registered Shareholders, which forms part of the Exit Offer Letter and which is issued to Shareholders whose Offer Shares are registered on the HK Branch Register
“HK Listing Rules”	:	Rules Governing the Listing of Securities on the SEHK
“HK Takeover Code”	:	The Code on Takeovers and Mergers of Hong Kong
“HKSCC”	:	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong”	:	The Hong Kong Special Administrative Region of the PRC
“IFA”	:	ING Bank N.V., the independent financial adviser appointed by the Company to advise the Independent Board Committee in relation to, amongst others, the Exit Offer and the Delisting pursuant to the HK Takeover Code and the Singapore Takeover Code
“IFA Letter”	:	The letter dated 18 June 2014 from the ING Bank N.V. to the Independent Board Committee in relation to the Exit Offer and the Delisting as set out in Appendix I to this Circular
“Independent Board Committee”	:	The independent committee of the Board established on 31 March 2014 pursuant to Rule 2.1 of the HK Takeover Code comprising all the non-executive Directors, namely, Messrs Li Shengxiao, Lian Jie, Ong Wei Jin and Ong Kian Guan, to advise and make its recommendation on the Exit Offer and the Delisting to the Independent Shareholders, whereby the above-mentioned Directors who constitute the Independent Board Committee are the same Directors who are considered independent under the Singapore Takeover Code for the purposes of making a recommendation to Independent Shareholders in respect of the Exit Offer and the Delisting
“Independent Shareholders”	:	All Shareholders other than the Relevant Persons and the Undertaking Shareholders
“Joint Offer Announcement”	:	The joint offer announcement dated 31 March 2014 jointly issued by the Offeror and the Company in relation to the Exit Offer and the Delisting
“Joint Offer Announcement Date”	:	31 March 2014, being the date of the Joint Offer Announcement
“Joint Financial Advisers”	:	CITIC Securities and CLSA Singapore
“Last Traded Day”	:	6 December 2013, being the last Business Day on which the Shares were traded on the SGX-ST and the SEHK prior to the Possible Offer Announcement Date
“Latest Exchange Rate”	:	The exchange rate of S\$1.00 to HK\$6.2075 as extracted from Bloomberg L.P., on the Latest Practicable Date

DEFINITIONS

“Latest Practicable Date”	:	13 June 2014, being the latest practicable date prior to the date of this Circular
“Long-Stop Date”	:	31 August 2014, being the latest date for the satisfaction of the Condition
“Monthly Update Announcements”	:	The monthly update announcements dated 10 January 2014, 10 February 2014 and 10 March 2014 jointly issued by the Offeror and the Company
“Mr. Liu”	:	Mr. Liu Xingxu, the Chairman, Chief Executive Officer and executive Director of the Company, and who is also the sole director of the Offeror
“Ms. Yan”	:	Ms. Yan Yunhua, the Chief Financial Officer and executive Director of the Company and who is also the sole director of Go Power
“Notice of EGM”	:	The notice of EGM which is set out on page 193 of this Circular
“NTA”	:	Net tangible assets
“Offer Period”	:	The period from the Possible Offer Announcement Date and ending on the date the Exit Offer is declared to have closed or lapsed
“Offer Settlement Date”	:	The date on which the Offeror is registered as Shareholder of any Offer Shares tendered in acceptance of the Exit Offer by Shareholders
“Offer Shares”	:	Shares in respect of which the Exit Offer is made (excluding all new Shares which may be issued pursuant to the valid conversion of any Bonds prior to the close of the Exit Offer), other than (i) those Shares already owned, controlled or agreed to be acquired by the Offeror Concert Group, (ii) the Undertaking Shares
“Offeror”	:	Pioneer Top Holdings Limited, a company incorporated in the BVI, which is owned as to 42% by Mr Liu and the remaining 58% is held by Mr. Liu on trust for seven individual beneficiaries
“Offeror Concert Group”	:	The Offeror, Mr. Liu, Ms. Yan and Go Power
“Offeror Securities”	:	Shares, securities which carry voting rights in the Offeror and convertible securities, warrants, options or derivatives in respect of, such shares or securities of the Offeror
“Overseas Shareholders”	:	The Shareholders whose addresses as shown in the Singapore Register, in the records of CDP or in the HK Branch Register are outside of Singapore and/or Hong Kong
“Placing Agreement”	:	The placing agreement dated 31 March 2014 entered into between the Offeror and CITIC Securities in respect of the placing by CITIC Securities of any Shares acquired by the Offeror pursuant to the Exit Offer

DEFINITIONS

“Possible Offer Announcement”	:	The announcement jointly issued by the Company and the Offeror in relation to the possible Exit Offer and the possible Delisting
“Possible Offer Announcement Date”	:	11 December 2013, being the date on which the Company and the Offeror jointly issued the Possible Offer Announcement
“PRC”	:	The People’s Republic of China, which, for the purposes of this Circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Share Registrar in Singapore”	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), the principal share registrar of the Company in Singapore
“Record Date”	:	In relation to any Distributions, the date on which Shareholders must be registered with the Company, CCASS or with CDP, as the case may be, in order to be entitled to such Distributions
“Reference Period”	:	The period commencing on the date falling six months prior to the Possible Offer Announcement Date and ending on the Latest Practicable Date
“Relevant Persons”	:	The Offeror and parties acting in concert with it
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SEHK”	:	The Stock Exchange of Hong Kong Limited
“SFA”	:	The Securities and Futures Act of Singapore (Cap. 289), as amended, modified or supplemented from time to time
“SFC”	:	The Securities and Futures Commission of Hong Kong
“SFO”	:	The Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“SG FAA”	:	Form of Acceptance and Authorisation for Offer Shares, applicable to Depositors, which forms part of the Exit Offer Letter and which is issued to Shareholders whose Offer Shares are deposited with CDP
“SG FAT”	:	Form of Acceptance and Transfer for Offer Shares, applicable to Singapore Registered Shareholders, which forms part of the Exit Offer Letter and which is issued to Shareholders whose Offer Shares are registered on the Singapore Register
“SGXNET”	:	A system network used by listed companies to send information and announcements to SGX-ST or any other system networks prescribed by SGX-ST
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

DEFINITIONS

“SGX-ST Listing Manual”	:	The mainboard rules of the listing manual of the SGX-ST
“Shareholders”	:	Holders of the Shares as indicated on the Singapore Register, the HK Branch Register and Depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Ordinary shares in the issued and paid-up capital of the Company
“Shares Undertakings”	:	The irrevocable undertakings dated 31 March 2014 provided by each Undertaking Shareholder to the Offeror, as more particularly described in Section 7.1 in “Letter to Shareholders” of this Circular
“SIC”	:	The Securities Industry Council of Singapore
“Singapore Companies Act”	:	The Companies Act of Singapore (Cap. 50)
“Singapore Register”	:	The register of members of the Company in Singapore
“Singapore Registered Shareholders”	:	Shareholders whose Shares are held under their own names on the Singapore Register
“Singapore Takeover Code”	:	The Singapore Code on Take-overs and Mergers
“Substantial Shareholder”	:	Pursuant to the Singapore Companies Act and the SFA, a person who has an interest or interests in one or more voting Shares (excluding treasury Shares) and the total votes attached to that Share, or those Shares, is not less than five (5) per cent. of the total votes attached to all the voting Shares (excluding treasury Shares)
“Undertaking Bonds”	:	An aggregate principal amount of RMB324,366,153.50 of the outstanding Bonds held by the Bondholder which are convertible into 176,000,000 Shares based on the prevailing conversion price of approximately RMB1.84 per Share as at the Latest Practicable Date
“Undertaking Persons”	:	The persons set out in Section 7.2 in “Letter to Shareholders” of this Circular comprising the Undertaking Shareholders and the Bondholder
“Undertaking Shareholders”	:	Certain Shareholders who have provided irrevocable undertakings to the Offeror in connection with the Exit Offer and the Delisting, whose particulars are set out in Section 7.2 of “Letter to Shareholders” in this Circular
“Undertaking Shares”	:	An aggregate of 385,809,000 Shares owned by the Undertaking Shareholders
“Undertakings”	:	The Shares Undertakings and the Bonds Undertaking
“US”	:	The United States of America
“VWAP”	:	The volume-weighted average price of the Shares on the SGX-ST

DEFINITIONS

“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	:	Renminbi, the lawful currency of the PRC
“S\$”	:	Singapore dollars, the lawful currency of the Republic of Singapore
“US\$”	:	US dollars, the lawful currency of the US
“%”	:	per cent.

Acting in Concert and Associates. The terms “acting in concert” and “associates” shall have the meanings ascribed to them in the Singapore Takeover Code and/or the HK Takeover Code, as the case may be.

Corporations. References to persons shall, where applicable, include corporations.

English Version Prevails. In the event of any inconsistency between the English version of this Circular (including the Notice of EGM, proxy form and Address Notification Form) and the Chinese version of this Circular (including the Notice of EGM, proxy form and Address Notification Form), the English version shall prevail.

Exit Offer Letter. Capitalised terms used in the extracts of the Exit Offer Letter and not defined herein shall bear the same meanings as attributed to them in the Exit Offer Letter.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

Rounding. Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “you”, “your” and “yours” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment is a reference to the enactment as for the time being amended or re-enacted. Any word defined under the Singapore Companies Act, the Singapore Takeover Code, the SGX-ST Listing Manual, the SFO, the HK Takeover Code and the HK Listing Rules or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to that word under the Singapore Companies Act, the Singapore Takeover Code, the SGX-ST Listing Manual, the SFO, the HK Takeover Code and the HK Listing Rules or any modification thereof, as the case may be, unless the context otherwise requires.

Subsidiaries and Related Corporation. The terms “subsidiary” and “related corporation” shall have the meaning ascribed to it in Sections 5 and 6 of the Singapore Companies Act respectively.

Time and Date. Any reference to a time of the day and date in this Circular shall be a reference to Hong Kong and Singapore time and date respectively, unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the current expectations, beliefs, hopes, intentions or strategies of the party making the statements regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders, the Bondholder or other holders of Company Securities and investors of the Company and/or any other person should not place undue reliance on such forward-looking statements, and neither the IFA nor the Company undertakes any obligation to update publicly or revise any forward-looking statements, unless otherwise required in compliance with applicable laws and regulations.

INDICATIVE TIMETABLE

Date of despatch of this Circular and the Exit Offer Letter	:	18 June 2014
Last date and time for lodgement of proxy form for the EGM ⁽¹⁾	:	19 July 2014 at 11.00 a.m. (Hong Kong and Singapore time)
Date and time of the EGM	:	21 July 2014 at 11.00 a.m. (Hong Kong and Singapore time)
Announcement of the satisfaction of the Condition ⁽²⁾	:	No later than 7.00 p.m. (Hong Kong and Singapore time) on 21 July 2014
Expected last date of trading of Shares on the SGX-ST	:	25 July 2014
Expected date of trading suspension of Shares on the SGX-ST	:	9.00 a.m. (Hong Kong and Singapore time) on 29 July 2014
Expected closing time and date of the Exit Offer ⁽²⁾	:	4.00 p.m. (Hong Kong and Singapore time) on 4 August 2014
Expected announcement of results of the Exit Offer	:	No later than 7.00 p.m. (Hong Kong and Singapore time) on 4 August 2014
Expected date of delisting of Shares from the Official List of the Mainboard of the SGX-ST	:	11 August 2014
Expected date of despatch of share certificates to Depositors and Singapore Registered Shareholders who continue to hold Shares subsequent to the Delisting	:	25 August 2014
Settlement of consideration for valid acceptances of the Exit Offer	:	a) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received on or before the date on which the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, as soon as possible but in any event within the earlier of seven (7) Business Days and ten (10) calendar days of the date on which the Exit Offer becomes unconditional; or b) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received after the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, but on or before the Closing Date, as soon as possible but in any event within the earlier of seven (7) Business Days and ten (10) calendar days of the date of such receipt

INDICATIVE TIMETABLE

Notes:

- (1) *Proxy forms should be duly completed and deposited at the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00 Singapore 068898, or at the office of the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for the EGM. Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM in place of his proxy.*
- (2) *Assuming that the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will remain open for acceptance for a period of 14 days after the date of the announcement of the satisfaction of the Condition.*

Shareholders should note that, save for the date of despatch of this Circular and the Exit Offer Letter, the last date and time for lodgement of proxy forms for the EGM, the date and time of the EGM, the date of commencement of the Exit Offer, and the settlement of consideration for valid acceptances of the Exit Offer, the above timetable is indicative only and may be subject to change. For events listed above which are described as "expected", the dates and times of such events are subject to change but will in any event comply with the requirements under the HK Takeover Code. Please refer to future announcement(s) by or on behalf of the Company and/or the Offeror via SGXNET for the exact dates and times of such events.

Please note that the Delisting and the Exit Offer are conditional upon the approval of the Delisting Resolution by Shareholders at the EGM. If such Condition is not fulfilled on or before the Long-Stop Date, the Delisting will not proceed, and the Company will remain listed on the Official List of the Mainboard of the SGX-ST and on the Main Board of the SEHK and the Exit Offer will lapse. Please also note that approving the Delisting Resolution at the EGM does not automatically mean that you have accepted the Exit Offer. If you wish to accept the Exit Offer, please refer to Appendices 2 and 3 to the Exit Offer Letter which set out procedures for acceptance and settlement of the Exit Offer.

LETTER TO SHAREHOLDERS



CHINA XLX FERTILISER LTD.

中國心連心化肥有限公司*

(Incorporated in Singapore on 17 July 2006)
(Company Registration No. 200610384G)
(Singapore Stock Code: B9R)
(Hong Kong Stock Code: 1866)

* For identification purpose only

Directors:

Liu Xingxu (*Chairman, Chief Executive Officer and executive Director*)
Yan Yunhua (*Chief Financial Officer and executive Director*)
Li Buwen (*executive Director*)
Lian Jie (*Non-executive Director*)
Ong Kian Guan (*Lead Independent Non-executive Director*)
Li Shengxiao (*Independent Non-executive Director*)
Ong Wei Jin (*Independent Non-executive Director*)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

18 June 2014

To: *The Shareholders of China XLX Fertiliser Ltd.*

Dear Sir or Madam

PROPOSED VOLUNTARY DELISTING OF CHINA XLX FERTILISER LTD. FROM THE OFFICIAL LIST OF THE MAINBOARD OF THE SGX-ST PURSUANT TO RULES 1307 AND 1309 OF THE SGX-ST LISTING MANUAL

1. INTRODUCTION

- 1.1 Reference is made to the Possible Offer Announcement dated 11 December 2013, the Monthly Update Announcements in relation to the possible Delisting and the possible Exit Offer and the Joint Announcement dated 31 March 2014 jointly made by the Offeror and the Company.
- 1.2 On the Joint Announcement Date, the Offeror and the Company jointly announced that the Offeror had presented to the Directors the Delisting Proposal to seek the Delisting pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual.
- 1.3 **As at the Latest Practicable Date, the Shares are primarily listed and quoted on the Official List of the Mainboard of the SGX-ST and the Main Board of the SEHK. The Delisting is not a privatisation exercise and following the completion of the Delisting, the primary listing status of the Company on the Main Board of the SEHK will be preserved.**
- 1.4 The Directors, having reviewed the Delisting Proposal, have resolved that an application be made to the SGX-ST for the Delisting and an EGM be convened at 21 July 2014 at 11:00 a.m. at Amara Sanctuary Resort Sentosa, 1 Larkhill Road Sentosa, Singapore 099394, to seek the approval of the Shareholders for the Delisting.
- 1.5 The purpose of this Circular is to provide Shareholders with information relating to the Delisting and the Exit Offer, and to seek Shareholders' approval of the Delisting Resolution to be proposed at the EGM, notice of which is set out on page 193 of this Circular.

LETTER TO SHAREHOLDERS

1.6 This Circular (including the Address Notification Form) and the Exit Offer Letter (including the relevant Acceptance Forms) have been despatched to the Shareholders by ordinary post. Electronic copies of this Circular and the Exit Offer Letter are also available on the websites of the SGX-ST, the SEHK, the SFC and the Company at <http://www.sgx.com>, <http://www.hkex.com.hk>, <http://www.sfc.hk>, and <http://www.chinaxlx.com.hk> respectively.

2. THE DELISTING PROPOSAL

As stated in the Exit Offer Letter, in connection with the Delisting and subject to the terms and conditions set out in the Exit Offer Letter, the Joint Financial Advisers, for and on behalf of the Offeror, are making the Exit Offer to acquire all the issued Shares¹ (other than (i) those Shares already owned, controlled or agreed to be acquired by the Offeror Concert Group, (ii) the Undertaking Shares and (iii) the Undertaking Bonds).

2.1 Condition of the Delisting and the Exit Offer

2.1.1 Condition of the Delisting and the Exit Offer

The Delisting and the Exit Offer are subject to fulfilment of the following Condition by no later than the Long-Stop Date:

- (a) the Delisting Resolution being approved by a majority of at least 75% of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM (the Directors and Controlling Shareholders of the Company need not abstain from voting on the Delisting Resolution); and
- (b) the Delisting Resolution not being voted against by 10% or more of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM.

The Exit Offer will **not** be conditional upon a minimum number of acceptances being received by the Offeror for the Exit Offer to become or be capable of being declared unconditional as to acceptances.

If the Condition is not fulfilled by the Long-Stop Date, the Delisting will not proceed and the Company will remain listed on the Official List of the Mainboard of the SGX-ST and on the Main Board of the SEHK. The Exit Offer will also lapse and the Shares in respect of which acceptances of the Exit Offer have been received will be returned to the relevant Shareholder.

2.2 Listing Manual Provisions Pertaining to the Delisting and the Exit Offer

2.2.1 Under Rule 1307 of the SGX-ST Listing Manual, the SGX-ST may agree to an application by the Company to delist from the Official List of the Mainboard of the SGX-ST, provided that:

- (a) the Company convenes an EGM to obtain approval from Shareholders of the Delisting Resolution;
- (b) the Delisting Resolution is approved by a majority of at least 75% of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting,

¹ Unless otherwise stated, references in Circular to the total number of issued Shares are based on 1,000,000,000 Shares in issue as at the Latest Practicable Date. As at the Latest Practicable Date, the Company does not hold any Shares in treasury.

LETTER TO SHAREHOLDERS

on a poll, either in person or by proxy at the EGM (**the Directors and Controlling Shareholders of the Company need not abstain from voting on the Delisting Resolution**); and

- (c) the Delisting Resolution is not voted against by 10% or more of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM.

2.2.2 The Company had on 11 April 2014 made an application to the SGX-ST to delist the Company from the Official List of the Mainboard of the SGX-ST. The SGX-ST had advised in its letter dated 2 June 2014 that it does not have any objection to the Delisting, subject to compliance with Rules 1307 and 1309 of the Listing Manual. **Please note that the SGX-ST's decision is not to be taken as an indication of the merits of the Delisting, the Exit Offer, the Company and/or its subsidiaries.**

Shareholders should note that under Rule 1307(2) of the SGX-ST Listing Manual, the Directors and the Controlling Shareholders need not abstain from voting on the Delisting Resolution.

The Company understands that the Offeror Concert Group (whose members are also Directors and Controlling Shareholders) intends to vote all of their Shares in favour of the Delisting Resolution at the EGM. As at the Latest Practicable Date, the Offeror Concert Group owns an aggregate of 649,428,000 Shares, representing approximately 64.94% of the total issued Shares.

2.2.3 In addition, Rule 1309 of the SGX-ST Listing Manual requires that if the Company is seeking to delist from the Official List of the Mainboard of the SGX-ST:

- (a) a reasonable exit alternative, which should normally be in cash, should be offered to Shareholders; and
- (b) the Company should normally appoint an independent financial adviser to advise on the Exit Offer.

3. THE EXIT OFFER

3.1 The information relating to the Exit Offer has been extracted from Section 2 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

"2. THE EXIT OFFER

2.1 Terms of the Exit Offer

Subject to the satisfaction of the Condition, the Joint Financial Advisers, for and on behalf of the Offeror, will make the Exit Offer in cash for all the Offer Shares.

LETTER TO SHAREHOLDERS

- (a) *The Exit Offer will be made on the following basis:*

The Exit Offer Price will be S\$0.40² in cash for each Offer Share.

The Offeror does not intend to increase the Exit Offer Price.

The Exit Offer Price shall be applicable to any number of Offer Shares that are validly tendered in acceptance of the Exit Offer.

For the avoidance of doubt, in respect of valid acceptances of the Exit Offer by Shareholders whose Shares are registered on the HK Branch Register, while the consideration payable for valid acceptances will be determined based on the Exit Offer Price in Singapore dollars, the actual payment for valid acceptances by such Shareholders will be made in Hong Kong dollars using (i) such exchange rate of Hong Kong dollars for the Exit Offer Price at the time of payment as may be available to and confirmed by the Offeror's processing agent for the Exit Offer in Hong Kong as the prevailing exchange rate; and (ii) HK\$0.0774, being the actual Hong Kong dollar amount of the 2013 Final Dividend.

- (b) *The Offer Shares will be acquired fully paid and free from all Encumbrances and together with all rights, benefits, entitlements and advantages attached thereto as at the Joint Offer Announcement Date and hereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Joint Offer Announcement Date.*

2.2 Adjustments for 2013 Final Dividend

As mentioned in the Joint Offer Announcement, without prejudice to the generality of the foregoing, the Exit Offer Price² has been determined on the basis that the Offer Shares will be acquired together with the right to receive any Distributions (if any), the Record Date for which falls on or after the Joint Offer Announcement Date. As the 2013 Final Dividend Record Date fell after the Joint Offer Announcement Date but prior to the date of this Exit Offer Letter (and accordingly, the Offeror is not entitled to receive such 2013 Final Dividend from the Company), the amount per Offer Share payable to a Shareholder who validly accepts the Exit Offer shall be reduced by the amount per Share of the 2013 Final Dividend.

Accordingly, due to the payment of the 2013 Final Dividend in the period between the Joint Offer Announcement Date and the Offer Settlement Date, accepting Shareholders will receive for every Offer Share tendered in acceptance of the Exit Offer an amount equal to the Exit Offer Price less the amount per Share of the 2013 Final Dividend, being:

- (a) ***for each Offer Share in respect of Shares held on the Depository Register and on the Singapore Register, S\$0.388; and***

² *The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the "Letter to Shareholders" in this Circular.*

LETTER TO SHAREHOLDERS

- (b) *for each Offer Share in respect of Shares held on the HK Branch Register, the Hong Kong dollar amount of the Exit Offer Price (calculated using such exchange rate of Hong Kong dollars for the Exit Offer Price at the time of payment as may be available to and confirmed by the Offeror's processing agent for the Exit Offer in Hong Kong as the prevailing exchange rate) less HK\$0.0774 (being the actual Hong Kong dollar amount per Share of the 2013 Final Dividend).*

For the purpose of illustration only, using the Latest Exchange Rate, the Hong Kong dollar amount of the Exit Offer Price after the adjustment for the 2013 Final Dividend will be HK\$2.4056.

2.3 Condition of the Exit Offer and the Delisting

The Exit Offer and the Delisting are subject to satisfaction of the following Condition by no later than the Long-Stop Date:

- (a) *the Delisting Resolution being approved by a majority of at least 75% of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM (the Directors and Controlling Shareholders of the Company need not abstain from voting on the Delisting Resolution); and*
- (b) *the Delisting Resolution not being voted against by 10% or more of the total number of issued Shares (excluding treasury Shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM.*

*The Exit Offer will **not** be conditional upon a minimum number of acceptances being received by the Offeror for the Exit Offer to become or be capable of being declared unconditional as to acceptances. If the Condition has not been satisfied by the Long-Stop Date, the Exit Offer will lapse and the Delisting will not proceed.*

As at the Latest Practicable Date, the Offeror Concert Group, which owns an aggregate of 649,428,000 Shares, representing approximately 64.94% of the total issued Shares, is entitled to and intends to vote all of their Shares in favour of the Delisting Resolution at the EGM. In addition, pursuant to the Shares Undertakings, the Undertaking Shareholders (save for Go Power, Mr. Liu and Ms. Yan, who are also members of the Offeror Concert Group) have, inter alia, undertaken to vote an aggregate of 87,175,000 Shares, representing approximately 8.72% of the total issued Shares, in favour of the Delisting Resolution at the EGM. Further details on the Shares Undertakings are set out in Section 6.1 of this Exit Offer Letter.

2.4 Acceptances

Shareholders may choose to accept the Exit Offer in respect of all or part of their holdings of the Offer Shares.

Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptances will be conditional upon satisfaction of the Condition on or before the Long-Stop Date. If the Condition is not satisfied on or before the Long-Stop Date, the Exit Offer will lapse, all acceptances of the Exit Offer will be returned, the Delisting will not proceed and the Offeror will cease to be bound by any prior acceptances of the Exit Offer. The Offer Shares in respect of which acceptances have been received will be returned to the relevant Shareholders in accordance with the procedures set out in this Exit Offer Letter.

LETTER TO SHAREHOLDERS

2.5 Warranty by accepting Shareholder

Acceptance of the Exit Offer by a Shareholder will be deemed to constitute an unconditional and irrevocable warranty to the Offeror and the Joint Financial Advisers by the accepting Shareholder that each Offer Share in respect of which the Exit Offer is accepted and is sold by the accepting Shareholder as, or on behalf of, the beneficial owner(s) thereof, will be fully paid and free from all Encumbrances, and together with all rights, benefits, entitlements and advantages attached thereto as at the Joint Offer Announcement Date, and thereafter attaching thereto, including the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Joint Offer Announcement Date.

2.6 Commencement and Duration of the Exit Offer

The Exit Offer is open for acceptance from the date of despatch of this Exit Offer Letter to Shareholders. The Circular has been despatched to the Shareholders on the same day as this Exit Offer Letter. Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptances will be conditional upon the Delisting Resolution being passed at the EGM. If the Delisting Resolution is not passed at the EGM, the Condition will not be satisfied, the Exit Offer will lapse and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder.

The Exit Offer is required to remain open for acceptance for a period of at least 21 days following the date of despatch of this Exit Offer Letter pursuant to Rule 15.1 of the HK Takeover Code. If the Delisting Resolution is approved by the Shareholders at the EGM, the Exit Offer will remain open for acceptance for a period of 14 days after the date of announcement of the satisfaction of the Condition. Accordingly, the Exit Offer will close at **4.00 p.m. (Hong Kong and Singapore time) on 4 August 2014.**

The Offeror has no intention of extending the Exit Offer beyond 4.00 p.m. (Hong Kong and Singapore time) on the Closing Date. Notice is hereby given that the Exit Offer will not be open for acceptance beyond 4.00 p.m. (Hong Kong and Singapore time) on the Closing Date.

2.7 Settlement of consideration

Settlement of consideration in respect of acceptances of the Exit Offer will be made as soon as possible but in any event within (i) seven (7) Business Days or (ii) ten (10) calendar days (whichever is the earlier), of the date on which:

- (a) a complete and valid acceptance in respect of the Exit Offer is received; or
- (b) the Condition has been satisfied,

whichever is later.

2.8 No comparable offer for the Bonds

The Offeror has applied to the SIC for an exemption from having to make a comparable offer for the Bonds under Rule 19 of the Singapore Takeover Code and as set out in Section 3(d) of this Exit Offer Letter, the SIC has ruled, amongst other things, that in view of the Bonds Undertaking, there is no requirement for the Offeror to make any equivalent Exit Offer for the Bonds under the Singapore Takeover Code.

LETTER TO SHAREHOLDERS

2.9 Voting at the EGM

The Offeror is making the Exit Offer in order to facilitate the Delisting and accordingly, the Exit Offer is conditional upon the Delisting Resolution being approved by Shareholders at the EGM. Shareholders may vote all or any number of Shares held by them for or against the Delisting Resolution, regardless of whether or not they wish to accept the Exit Offer.

- (a) Shareholders who support the Delisting and wish to retain their Shares (which will continue to be listed on the SEHK) may vote in favour of the Delisting Resolution at the EGM and reject the Exit Offer;*
- (b) Shareholders who support the Delisting but wish to sell their Shares (although such Shares will continue to be listed on the SEHK) may vote in favour of the Delisting Resolution at the EGM and accept the Exit Offer;*
- (c) Shareholders who do not support the Delisting and wish to retain their Shares may abstain from voting on or vote against the Delisting Resolution at the EGM and reject the Exit Offer; and*
- (d) Shareholders who do not support the Delisting but wish to sell their Shares in the event that the Delisting Resolution is approved may abstain from voting on or vote against the Delisting Resolution and accept the Exit Offer.*

Shareholders should note that the Delisting is not a privatisation exercise. In the event that the Delisting Resolution is approved by Shareholders at the EGM, the Company will delist the Shares from the SGX-ST but maintain the primary listing of the Shares on the SEHK.

Shareholders who wish to retain their Shares and reject the Exit Offer do not need to take any action. Shareholders who wish to sell their Shares and accept the Exit Offer should complete, sign and return the relevant Acceptance Form. Please refer to Section 17 of this Exit Offer Letter for further details.”

- 3.2 Please refer to Appendices 2 and 3 to the Exit Offer Letter for the procedures relating to acceptance and settlement of the Exit Offer.

4. RULINGS AND CONFIRMATIONS FROM THE SIC

The information relating to the applications made by the Offeror to SIC to seek clarification regarding the extent to which the provisions of the Singapore Takeover Code apply to the Exit Offer and to obtain certain rulings from the SIC in relation to the Exit Offer and the Delisting, has been extracted from Section 3 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

LETTER TO SHAREHOLDERS

“3. RULINGS AND CONFIRMATIONS FROM THE SIC

Pursuant to an application made by the Offeror to the SIC, the SIC has ruled as follows:

- (a) the Exit Offer is exempted from compliance with the following provisions of the Singapore Takeover Code:
 - (i) Rule 20.1 on keeping the Exit Offer open for 14 days after it has been revised;*
 - (ii) Rule 22 on the offer timetable;*
 - (iii) Rule 28 on acceptances; and*
 - (iv) Rule 29 on the right of acceptors to withdraw their acceptances,**subject to the following conditions:*
 - (A) disclosure in the Circular of:
 - (I) the Consolidated Group NTA per Share; and*
 - (II) particulars of all known material changes as of the Latest Practicable Date which may affect the Consolidated Group NTA per Share or a statement that there are no such known material changes; and**
 - (B) the Exit Offer being kept open for at least:
 - (I) 21 days after despatch of the Exit Offer Letter by the Offeror if the Exit Offer Letter is despatched after Shareholders’ approval of the Delisting Resolution; or*
 - (II) 14 days after the announcement of Shareholders’ approval of the Delisting Resolution if the Exit Offer Letter is despatched together with the Circular;***
- (b) the Undertaking Shareholders are not regarded as parties acting in concert with the Offeror Concert Group for the purposes of the Exit Offer solely by virtue of the Shares Undertakings executed by them;*
- (c) the Bondholder is not regarded as a party acting in concert with the Offeror Concert Group for the purposes of the Exit Offer solely by virtue of the Bonds Undertaking executed by the Bondholder;*
- (d) in view of the Bonds Undertaking, there is no requirement for the Offeror to make any equivalent Exit Offer for the Bonds under the Singapore Takeover Code;*
- (e) the financial confirmation to be given by the financial adviser to the Offeror pursuant to Rule 3.5 of the Singapore Takeover Code that sufficient resources are available to the Offeror to satisfy acceptances of the Exit Offer may exclude (i) the Shares held by the Offeror Concert Group and the Undertaking Shareholders, (ii) the Shares that may be issued pursuant to a conversion of all the Bonds; and*

LETTER TO SHAREHOLDERS

- (f) *Mr. Liu, Mr. Li Buwen and Ms. Yan are exempted from the requirement to make a recommendation on the Exit Offer to Shareholders as they face irreconcilable conflicts of interest in doing so, being concert parties of the Offeror. Mr. Liu, Mr. Li Buwen and Ms. Yan must, nonetheless, still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Exit Offer.”*

5. INFORMATION ON THE OFFEROR CONCERT GROUP

- 5.1 The information relating to the Offeror Concert Group has been extracted from Section 4 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“4. INFORMATION ON THE OFFEROR CONCERT GROUP

4.1 Information on the Offeror

- (a) *The Offeror is a company incorporated in the BVI on 23 May 2006. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The principal activities of the Offeror are those of an investment holding company. As at the Latest Practicable Date, the Offeror has an issued share capital of US\$1.00 comprising 1 ordinary share. The sole director of the Offeror is Mr. Liu, who is also the Chairman, Chief Executive Officer and executive Director of the Company. As at the Latest Practicable Date, the Offeror owns an aggregate of 350,794,000 Shares, representing approximately 35.08% of the total issued Shares and Mr. Liu owns 600,000 Shares, representing approximately 0.06% of the total issued Shares.*
- (b) *As at the Latest Practicable Date, the Offeror is owned as to 42% by Mr. Liu and the remaining 58% is held by Mr. Liu on trust for seven beneficiaries, namely:*
- (i) *Mr. Li Buwen, the Company’s executive director, who owns 16% of the equity interest in the Offeror;*
 - (ii) *Mr. Li Yushun, a member of the senior management of the Company, who owns 7% of the equity interest in the Offeror;*
 - (iii) *Mr. Ru Zhengtao, a member of the senior management of the Company, who owns 7% of the equity interest in the Offeror;*
 - (iv) *Mr. Wang Nairen, a member of the senior management of the Company, who owns 7% of the equity interest in the Offeror;*
 - (v) *Mr. Zhang Qingjin, a member of the senior management of the Company, who owns 7% of the equity interest in the Offeror;*
 - (vi) *Mr. Zhu Xingye, an ex-employee of the Company, who owns 7% of the equity interest in the Offeror; and*
 - (vii) *Mr. Shang Dewei, an employee of the Company, who owns 7% of the equity interest in the Offeror.*

Pursuant to a trust agreement, Mr. Liu has the absolute discretion to exercise the voting rights held by the Offeror in the Company.

LETTER TO SHAREHOLDERS

- (c) *As at the Latest Practicable Date, save as disclosed in Section 4.1(a) above, each of the Offeror and Mr. Liu does not own and has not entered into any agreement to acquire any Shares or convertible securities issued by the Company.*

*Please refer to **Appendix 4** to this Exit Offer Letter for further details relating to the Offeror.*

4.2 Information on Go Power

- (a) *Go Power is a company incorporated in the BVI on 18 May 2006. Its registered office is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The principal activities of Go Power are those of an investment holding company. As at the Latest Practicable Date, Go Power has an issued share capital of US\$1.00 comprising 1 ordinary share. The sole director of Go Power is Ms. Yan, who is also the Chief Financial Officer and executive Director of the Company. As at the Latest Practicable Date, Go Power owns an aggregate of 297,734,000 Shares, representing approximately 29.77% of the total issued Shares and Ms. Yan owns 300,000 Shares, representing approximately 0.03% of the total issued Shares.*
- (b) *As at the Latest Practicable Date, Go Power is owned as to 12.74% by Ms. Yan and the remaining 87.26% is held by Ms. Yan on trust for 1,463 beneficiaries. Pursuant to a trust confirmation, Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in the Company.*
- (c) *As at the Latest Practicable Date, save as disclosed in Section 4.2(a) above, each of Go Power and Ms. Yan does not own and has not entered into any agreement to acquire any Shares or convertible securities issued by the Company.*

4.3 Aggregate holdings of the Offeror Concert Group

As at the Latest Practicable Date, the Offeror Concert Group has an aggregate interest in 649,428,000 Shares, representing approximately 64.94% of the total number of issued Shares. Please refer to Section 14 below for details of the Company Securities owned or controlled by the Offeror Concert Group.”

5.2 Additional information on the Offeror is set out in **Appendix III** to this Circular.

6. INFORMATION ON THE COMPANY

- 6.1** The Company is incorporated in Singapore on 17 July 2006 and is dual primary listed on the Official List of the Mainboard of the SGX-ST and the Main Board of the SEHK.
- 6.2** The Group is mainly engaged in the manufacturing and sale of urea, compound fertiliser and methanol in the PRC. The Group is currently one of the largest and most cost-efficient manufacturers of coal-based urea and compound fertilisers in the PRC and is strategically located in Henan, which is one of the largest agricultural provinces in the PRC.

LETTER TO SHAREHOLDERS

6.3 The following information is extracted from the audited consolidated income statement of the Company for FY2013, and the unaudited consolidated income statement of the Company for 1QFY2014:

	FY2013 (audited) RMB'000	1QFY2014 (unaudited) RMB'000
Revenue	3,968,946	1,269,632
Profit before income tax	311,623	57,947
Profit for the year/period attributable to Shareholders	264,052	48,209

6.4 As at the Latest Practicable Date:

- (a) the Company has an issued and paid-up share capital of 1,000,000,000 Shares. Save for the Bonds, the Company does not have any other outstanding options, rights, warrants or other instruments convertible into, exercisable for or redeemable with, any Shares;
- (b) the Company does not have any treasury Shares; and
- (c) the Directors are Messrs Liu Xingxu (Chairman, Chief Executive Officer and executive Director), Yan Yunhua (Chief Financial Officer and executive Director), Li Buwen (executive Director), Lian Jie (Non-executive Director), Ong Kian Guan (Lead Independent Non-executive Director), Li Shengxiao (Independent Non-executive Director) and Ong Wei Jin (Independent Non-executive Director).

6.5 Additional information on the Company and the Group is set out in **Appendix IV** to this Circular.

7. UNDERTAKINGS

7.1 The information relating to the Undertakings has been extracted from Section 6 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“6. UNDERTAKINGS

6.1 Shares Undertakings

- (a) *As at the Latest Practicable Date, the Undertaking Shareholders (whose particulars are set out in **Appendix 1** to this Exit Offer Letter) have provided irrevocable undertakings to the Offeror whereby each Undertaking Shareholder has irrevocably undertaken, amongst other things:*
 - (i) *to exercise or procure the exercise of the voting rights attached to their Shares to vote in favour of the Delisting Resolution at the EGM;*
 - (ii) *not to accept the Exit Offer in respect of all or any of their Shares; and*
 - (iii) *not to, prior to the close or withdrawal of the Exit Offer, directly or indirectly (and whether beneficially, legally or otherwise), (i) offer, sell, give, transfer, pledge, encumber, charge, or grant any option or other right over or otherwise dispose of or deal with any of their Shares or any interest therein; (ii) enter into any swap or other arrangement that transfers to another party in whole or in part any of the legal, beneficial or economic consequences of ownership of, any of their Shares or any interest therein; (iii) subject any of*

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their Shares to any Encumbrance; or (iv) enter into any agreement with a view to effecting any of the foregoing.

- (b) *The Shares Undertakings will expire and cease to have any effect at the earlier of:
 - (i) *the Delisting Resolution not being passed by Shareholders at the EGM;*
 - (ii) *the Exit Offer having been withdrawn, lapsed or closed; or*
 - (iii) *six months from the date of the Shares Undertakings.**
- (c) *As at the Latest Practicable Date, save for the Shares Undertakings, none of the Undertaking Shareholders owns or controls any Company Securities and have not dealt for value in any Company Securities during the Reference Period.*
- (d) *As at the Latest Practicable Date, other than the Undertaking Shareholders, no other Shareholders have irrevocably undertaken to accept or reject the Exit Offer.*

6.2 Bonds Undertaking

- (a) *As at the Latest Practicable Date, the Bondholder (whose particulars are set out in **Appendix 1** to this Exit Offer Letter) has provided an irrevocable undertaking to the Offeror whereby the Bondholder has irrevocably undertaken, amongst other things:
 - (i) *to irrevocably waive its rights to receive any offer for the Bonds under the Singapore Takeover Code and the HK Takeover Code from the Offeror arising from the Exit Offer and the Delisting;*
 - (ii) *not to exercise the right of conversion or right of redemption attached to the Bonds prior to the close or withdrawal of the Exit Offer; and*
 - (iii) *not to, prior to the close or withdrawal of the Exit Offer, directly or indirectly (and whether beneficially, legally or otherwise), (A) offer, sell, give, transfer, pledge, encumber, charge, or grant any option or other right over or otherwise dispose of or deal with any of the Bonds or any interest therein; (B) enter into any swap or other arrangement that transfers to another party in whole or in part any of the legal, beneficial or economic consequences of ownership of, any of the Bonds or any interest therein; (C) subject any of the Bonds to any Encumbrance; or (D) enter into any agreement with a view to effecting any of the foregoing.**
- (b) *The Bonds Undertaking will expire and cease to have any effect at the earlier of:
 - (i) *the Delisting Resolution not being passed by Shareholders at the EGM;*
 - (ii) *the Exit Offer having been withdrawn, lapsed or closed; or*
 - (iii) *six months from the date of the Bonds Undertaking.**
- (c) *As at the Latest Practicable Date, save for the Bonds Undertaking, the Bondholder does not own or control any Company Securities and has not dealt for value in any Company Securities during the Reference Period.”*

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7.2 The particulars of the Undertaking Persons have been extracted from Appendix 1 to the Exit Offer Letter and are reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“Shares

Name	Number of Shares comprised in the Undertakings	As a percentage of total issued Shares (%)⁽³⁾
<i>Go Power Investments Limited⁽¹⁾</i>	297,734,000	29.77
<i>Mr. Liu⁽²⁾</i>	600,000	0.06
<i>Ms. Yan⁽¹⁾</i>	300,000	0.03
<i>Big Day Limited (wholly-owned subsidiary of Sinofert Holdings Limited)</i>	49,900,000	4.99
<i>Sunny Asia Holdings Limited</i>	35,500,000	3.55
<i>Mr. Huang Zhongxin</i>	375,000	0.04
<i>Mr. Liu Dong⁽⁴⁾</i>	1,400,000	0.14
Total	385,809,000	38.58

Bonds

Name	Principal amount of Bonds comprised in the Undertakings (RMB)	As a percentage of the total outstanding principal amount of Bonds (%)	Number of Shares into which such Bonds may be converted
<i>Nitro Capital Limited</i>	324,366,153.50	100	176,000,000

Notes:

(1) In addition to shares held in her own name, Ms. Yan is deemed or taken to be interested in 297,734,000 shares in the Company (approximately 29.77% of the issued share capital of the Company) all of which are held by Go Power. Go Power is an investment holding company established in the British Virgin Islands and Ms. Yan is the registered owner of 100% shareholding in Go Power. Ms. Yan beneficially owns approximately 12.74% of the equity interest in Go Power, and holds approximately 87.26% of the equity interest in Go Power on trust for 1,463 beneficiaries. Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in the Company in accordance with the trust declaration dated 26 July 2006 and the trust confirmation dated 16 June 2009.

(2) In addition to shares held in his own name, Mr. Liu is deemed or taken to be interested in 350,794,000 shares in the Company (approximately 35.08% of the issued share capital of the Company) all of which are held by the Offeror. The Offeror is an investment holding company established in the British Virgin Islands and Mr. Liu is the registered owner of 100% shareholding in the Offeror. Mr. Liu beneficially owns approximately 42% of the equity interest in the Offeror, and holds approximately 58% of the equity interest in the Offeror on trust for 7 beneficiaries, including approximately 16% for Mr. Li Buwen, an executive Director of the Company, and approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao, 7% for Mr. Wang Nairen and 7% for Mr. Zhang Qingjin, the Group's senior management, and approximately 7% for Mr. Shang Dewei, an employee of the Group, and approximately 7% for Mr. Zhu Xingye, an ex-employee of the Group. Mr. Liu has the absolute discretion to exercise the voting rights held by the Offeror in the Company in accordance with a trust declaration dated 26 July 2006.

(3) Based on 1,000,000,000 Shares in issue as at the Latest Practicable Date.

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- (4) *As at the Latest Practicable Date, Mr. Liu Dong owns a total of 1,877,440 Shares, representing approximately 0.19% of the total number of issued Shares, comprising (i) 1,400,000 Shares which are subject to the Shares Undertaking provided by Mr. Liu Dong and (ii) 477,440 which are not subject to the Shares Undertaking provided by Mr. Liu Dong and in respect of which there is no indication or commitment as to whether Mr. Liu Dong will accept or reject the Exit Offer in respect of such Shares.*
- (5) *As at the Latest Practicable Date, save as disclosed in this Appendix 1, the Undertaking Persons do not own or control any other Company Securities.*
- (6) *The Undertaking Persons did not deal for value in any Company Securities during the Reference Period.”*

8. RATIONALE FOR THE DELISTING AND THE EXIT OFFER

The rationale for the Delisting and the Exit Offer has been extracted from Section 7 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“7. RATIONALE FOR THE DELISTING AND THE EXIT OFFER

The Delisting is proposed by the Offeror and the Company for the following reasons:

- (a) *there is currently limited liquidity in the trading of the Shares and having a single listing will consolidate the trading of Shares and is expected to lead to improved liquidity and enhanced Shareholder value;*
- (b) *the SEHK is geographically of closer proximity to the principal place of business of the Group’s operations which are mainly undertaken in the PRC. As such, the Offeror and the Company regard the SEHK as the preferred platform for future fund raising activities (if any) as investors on the SEHK are likely to have greater familiarity with the business of the Group; and*
- (c) *there will be a reduction in (i) the compliance costs and complexity involved in the Company having to comply with the listing rules and regulations of two stock exchanges, (ii) management resources incurred; and (iii) constraints in operational flexibility.*

The Exit Offer is not made by the Offeror with an intention to consolidate control in or to privatise the Company. The Exit Offer is made in connection with the Delisting pursuant to Rules 1307 and 1309 of the SGX-ST Listing Manual. The Offeror intends to preserve the listing status of the Company on the Main Board of the SEHK following the completion of the Delisting.”

9. OFFEROR’S INTENTIONS FOR THE COMPANY

- 9.1 The information relating to the Offeror’s intentions for the Company has been extracted from Section 8 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“8. OFFEROR’S INTENTIONS FOR THE COMPANY

The Offeror has no intention to (a) propose or introduce any major changes to the businesses of the Group, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of the employees of the Group, in each case, other than in the ordinary course of business.

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The Offeror intends to preserve the listing status of the Company on the Main Board of the SEHK following the completion of the Delisting. Shareholders should note that the Delisting is not a privatisation exercise and following the completion of the Delisting, the Shares will continue to be listed on the Main Board of the SEHK. The Delisting will not result in the exercise of any right of compulsory acquisition by the Offeror to compulsorily acquire or squeeze-out any minority Shareholders.

Under the HK Listing Rules, in the event that at the close of the Exit Offer, (i) less than the minimum prescribed shareholding percentage applicable to the Company (being 25% of the total issued Shares) is held by the public, (ii) the SEHK believes that a false market exists or may exist in the trading of the Shares, or (iii) that there are insufficient Shares in public hands to maintain an orderly market, the SEHK has the discretion to require suspension of dealings in the Shares.

Pursuant to the Placing Agreement, CITIC Securities has been appointed by the Offeror as sole placing agent to purchase or to procure purchasers to purchase all Shares that may be acquired by the Offeror pursuant to the Exit Offer, subject to certain customary conditions for placings. Whilst the Exit Offer Price is set at S\$0.40³, the actual price per Share in HK\$ will fluctuate in accordance with movements in the HK\$:S\$ exchange rate. Accordingly, in order to ensure that Shares sold under the placing are sold at the same price and the gross proceeds of placing will be approximately equal to the total consideration paid by the Offeror for the Shares acquired under the Exit Offer, the price at which the Shares will be placed pursuant to the Placing Agreement will be set at a HK\$ amount per Share equal to the average HK\$ acquisition price per Share under the Exit Offer. Under the Placing Agreement, the average HK\$ acquisition price will be at a price in HK\$ which is equivalent to the mean price per Share in HK\$ paid for the acquisition of the Shares under the Exit Offer (taking into account the actual amount paid in respect of Shares purchased on the HK Branch Register and the HK\$ equivalent on the day of payment of S\$ amounts paid in respect of Shares purchased on the Singapore Register), and adjusted downwards by the HK\$ amount per Share paid to the Shareholders in respect of any dividends, rights and other distributions in respect of the Shares the Record Date for which falls on or after the Joint Offer Announcement Date but prior to the date of the placing.

Upon satisfaction of the customary conditions for placings, the placing will occur on a date to be agreed between the Offeror and CITIC Securities which falls within the period starting from the Closing Date until the later of the dates which fall (a) one month after the Closing Date; and (b) 21 days after the date upon which any Shares acquired by the Offeror pursuant to the Exit Offer have been deposited in CCASS (or such later date as the Offeror and CITIC Securities may agree in writing).

The Offeror will use the net proceeds of the placing towards repayment of the Exit Offer Facility and related fees and expenses. Assuming completion of the placing, the shareholding of the Offeror and parties acting in concert with it will be restored to their pre-offer shareholding levels of approximately 64.94% of the total number of issued Shares and the public float will be at not less than 25% of the total issued Shares (because, pursuant to the terms of the Placing Agreement, CITIC Securities is obliged to ensure that, upon completion of the placing, sufficient Shares are in public hands (where “public” shall have the same meaning as ascribed to it in the HK Listing Rules) so as not to breach the minimum public float of 25% under paragraph 13.32 of the HK Listing Rules). Purchasers under the placing will not be subject to any lock-up and will be free to trade the placed Shares at any price.

³ The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” in this Circular.

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The Offeror will be using the placing under the Placing Agreement as its principal method of remedying any shortfalls in the level of the Company's public float required by the HK Listing Rules as a result of a high take-up of the Exit Offer. If the conditions to the placing are not satisfied or waived by 31 December 2014, the placing will not proceed and any breach of the minimum public float requirements as a result of the Exit Offer may not be remedied until the Offeror or the Company takes other appropriate steps to restore the minimum public float.

Each of the Offeror (in its capacity as a Controlling Shareholder), the Offeror's sole director, the Company and Go Power as a Controlling Shareholder will undertake to the SEHK (a) to take such other steps as may be appropriate to ensure that sufficient public float exists in the Shares following the completion of the Exit Offer; and (b) to use reasonable endeavours to ensure that the Company will have a sufficiently wide spread of Shareholders and that there will be a genuine open market for the Shares immediately after the placing."

9.2 The Board is aware of, and welcomes the intentions of the Offeror in respect of the Company.

10. MAJOR TERMS OF THE PLACING AGREEMENT

10.1 A summary of the major terms of the Placing Agreement has been extracted from Section 9 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the summary below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

"(a) Date: 31 March 2014

(b) Parties:

(i) Offeror

(ii) CITIC Securities, as "Manager"

(c) Purchase and Sale

(i) The Offeror agrees to sell, and the Manager agrees to purchase at its sole discretion as principal or, as sole and exclusive agent of the Offeror, procure third-party purchasers to purchase such number of Shares ("the Sale Shares") as are acquired by the Offeror pursuant to the Exit Offer (the "Sale").

(ii) The purchase price of the Shares will be a price in Hong Kong dollars which is equivalent to the mean price per Share in HK\$ paid for the acquisition of the Shares under the Exit Offer (taking into account the actual amount paid in respect of Shares purchased on the HK Branch Register and the HK\$ equivalent on the day of payment of S\$ amounts paid in respect of Shares purchased on the Singapore Register), and adjusted downwards by the HK\$ amount per Share paid to the shareholders on the HK Branch Register in respect of any dividends, rights and other distributions in respect of the Shares the Record Date for which falls on or after the Joint Offer Announcement Date but prior to the Sale Closing Date (as defined below) (the "Purchase Price").

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(d) *Closing of the Sale*

- (i) *Subject to the satisfaction of the conditions (see below), the closing of the Sale (the "Sale Closing") shall take place on a date ("Sale Closing Date") agreed between the Offeror and the Manager which shall be as soon as practicable but in any event no earlier than the date upon which the Shares acquired by the Offeror on the Singapore Register (and any other certificated Shares acquired pursuant to the Exit Offer) have been deposited in CCASS in accordance with the Placing Agreement and no later than the later of (a) one month after closing of the Exit Offer; and (b) 21 days after the date upon which the Offeror has deposited all Shares acquired by the Offeror on the Singapore Register (and any other certificated Shares acquired pursuant to the Exit Offer) in CCASS, or such later date as the Offeror and the Manager may agree in writing.*

(e) *Expenses*

- (i) *In consideration of the services provided by the Manager under the Placing Agreement, the Offeror and the Manager agree that the Offeror shall pay the Manager on the Sale Closing Date the Offeror's Hong Kong Stock Exchange trading fee of 0.005%, the Offeror's Hong Kong Securities and Futures Commission transaction levy of 0.003%, the Offeror's ad valorem stamp duty at the rate of 0.1%, as may be payable by the Offeror in respect of the sale of the Sale Shares.*
- (ii) *Each of the Offeror and the Manager shall be responsible for its own expenses, including legal fees and fees of other advisers, incurred in connection with the Placing Agreement, the performance of its obligations under the Placing Agreement and the Sale.*
- (iii) *The Manager shall be entitled to retain for its own account any brokerage fees and commissions that it may receive from the purchasers.*

(f) *Conditions*

- (i) *Sale Closing is conditional upon the following conditions being met, or waived by the Manager in writing:*
- (A) *there shall not have occurred any liability for breach of, or any event rendering untrue or inaccurate (save to the extent such event would not lead to any liability under the Placing Agreement whereby such breach could not have reasonably been avoided or prevented by the Offeror or the Company (as the case may be) operating the business of the Offeror or the Company (as the case may be) in the ordinary course in the manner in which it had been conducted prior to the date of the Placing Agreement), any of the representations, warranties or undertakings given or made by the Offeror under the Placing Agreement which is material in the context of the transactions contemplated by the Placing Agreement taken as a whole;*
- (B) *the Offeror having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be performed or satisfied under the Placing Agreement on or before the Sale Closing Date save to the extent that any such non-compliance or non-satisfaction is not material in the context of the transactions contemplated by the Placing Agreement taken as a whole;*

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- (C) *trading of any securities of the Company not being suspended on the Stock Exchange of Hong Kong Limited for more than five consecutive trading days (save for such suspension pending the issue by the Company of the announcement of the Sale and any announcement of the suspension of trading in Shares of the Company pending announcement of the Sale or as a consequence of the Delisting or the Exit Offer (including, without limitation, in connection with any breach of minimum public float under the HK Listing Rules));*
 - (D) *a material disruption in commercial banking securities settlement, payment or clearance services in Hong Kong or Singapore which is material in the context of the transactions contemplated by the Placing Agreement taken as a whole not having occurred and being continuing;*
 - (E) *(i) there not having occurred any outbreak or escalation of hostilities, declaration of a national emergency or war or calamity or crisis, and (ii) there not having occurred any significant change (whether or not permanent) in local, national or international monetary, economic, financial, political or military conditions, that, in the Manager's judgment in its sole discretion (acting reasonably), is material and adverse and continuing and which, singly or together with any other event specified in this clause, makes it, in the Manager's judgment in its sole discretion (acting reasonably), impracticable to proceed with the offer, sale or delivery of the Sale Shares on the terms and in the manner contemplated in the Placing Agreement;*
 - (F) *there not having occurred and being continuing any material adverse change or development (whether or not permanent) involving a material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries as a whole, outside of the ordinary course of business; and*
 - (G) *the Exit Offer having become wholly unconditional and subsequently closed.*
- (ii) *If (i) any of the events set out in paragraphs (f)(i)(C), (D), (E) or (F) above occurs at any time between the date of the Placing Agreement and the Sale Closing Date, and in the Manager's judgement in its sole discretion (acting reasonably) such events are material and adverse and continuing and the occurrence of such event(s) would render it impracticable to proceed with the offer, sale or delivery of the Sale Shares on the terms and in the manner contemplated herein or (ii) any of the conditions set out in paragraphs (f)(i)(A), (B) or (G) above shall not have been fulfilled to the reasonable satisfaction of the Manager or waived by the Manager by 31 December 2014 or such other date as the Offeror and the Manager may agree, the Placing Agreement and the obligations of the Manager hereunder shall cease and terminate."*

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11. FINANCIAL ASPECTS OF THE EXIT OFFER

The information on the benchmarking of the Exit Offer Price has been extracted from Section 13 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“13. FINANCIAL ASPECTS OF THE EXIT OFFER

13.1 Premia to Historical Market Prices

The Exit Offer Price⁴ represents the following premia / discount over the historical market prices of the Shares on the SGX-ST and the SEHK over various periods:

<i>Share Prices on the SGX-ST</i>	<i>Share Price</i>	<i>Premium / Discount</i>
<i>Last transacted price of the Shares on the SGX-ST as at the Latest Practicable Date</i>	S\$0.385	3.9%
<i>Last transacted price of the Shares on the SGX-ST as at the Joint Offer Announcement Date</i>	S\$0.420	(4.8%)
<i>Last transacted price of the Shares on the SGX-ST on 28 March 2014 (being the last traded day prior to the Joint Offer Announcement Date)</i>	S\$0.420	(4.8%)
<i>Last transacted price of the Shares on the SGX-ST on 6 December 2013 (being the Last Traded Day)</i>	S\$0.325	23.1%
<i>VWAP on the SGX-ST for the one-month period up to and including the Last Traded Day</i>	S\$0.310	28.9%
<i>VWAP on the SGX-ST for the three-month period up to and including the Last Traded Day</i>	S\$0.321	24.8%
<i>VWAP on the SGX-ST for the six-month period up to and including the Last Traded Day</i>	S\$0.327	22.2%
<i>VWAP on the SGX-ST for the one-year period up to and including the Last Traded Day</i>	S\$0.359	11.4%

⁴ *The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” in this Circular.*

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Share Prices on the SEHK	Share Price	Premium / Discount⁵
<i>Last transacted price of the Shares on the SEHK as at the Latest Practicable Date</i>	HK\$2.410	3.0%
<i>Last transacted price of the Shares on the SEHK as at the Joint Offer Announcement Date</i>	HK\$2.460	0.9%
<i>Last transacted price of the Shares on 28 March 2014 (being the last traded day prior to the Joint Offer Announcement Date)</i>	HK\$2.460	0.9%
<i>Last transacted price of the Shares on the SEHK on 6 December 2013 (being the Last Traded Day)</i>	HK\$2.060	20.5%
<i>Average closing price on the SEHK for the one-month period up to and including the Last Traded Day</i>	HK\$2.007	23.7%
<i>Average closing price on the SEHK for the three-month period up to and including the Last Traded Day</i>	HK\$2.072	19.9%
<i>Average closing price on the SEHK for the six-month period up to and including the Last Traded Day</i>	HK\$2.148	15.6%
<i>Average closing price on the SEHK for the one-year period up to and including the Last Traded Day</i>	HK\$2.277	9.1%

13.2 Premium to Net Asset Value and NTA

The Exit Offer Price⁶ represents:

- (a) a discount of approximately 22.8% to the unaudited consolidated net asset value per Share of S\$0.52 as at 31 March 2014; and
- (b) a discount of approximately 15.6% over the unaudited consolidated NTA per Share of S\$0.47 as at 31 March 2014;

assuming an exchange rate of S\$1.00: RMB4.945, based on information extracted from Bloomberg L.P. as at 31 March 2014.”

⁵ For ease of comparison, the Exit Offer Price has been converted into Hong Kong dollars based on the Latest Exchange Rate. See note 6 below for further information regarding the Exit Offer Price.

⁶ The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” in this Circular.

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12. TOTAL CONSIDERATION PAYABLE UNDER THE EXIT OFFER

The information on the total consideration payable under the Exit Offer has been extracted from Section 15 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“15. TOTAL CONSIDERATION PAYABLE UNDER THE EXIT OFFER

As at the Latest Practicable Date, the Company has 1,000,000,000 Shares in issue. On the basis of the Exit Offer Price of S\$0.40⁷ and 1,000,000,000 Shares in issue, the total consideration payable for the entire issued share capital of the Company is S\$400,000,000. Excluding the 385,809,000 Undertaking Shares (which includes Shares held by Go Power, Mr. Liu and Ms. Yan) and the 350,794,000 Shares held by the Offeror and on the basis that none of the outstanding Bonds will be converted or exercised into Shares prior to the close of the Exit Offer and the Exit Offer is accepted in full, 263,397,000 Shares will be subject to the Exit Offer and the maximum amount of cash consideration payable under the Exit Offer by the Offeror for such Shares based on the Exit Offer Price⁷ will be S\$105,358,800 (approximately HK\$654,014,751 at the Latest Exchange Rate) in aggregate.”

13. CONFIRMATION OF FINANCIAL RESOURCES

The confirmation provided by the Joint Financial Advisers in relation to the sufficiency of financial resources available to the Offeror to satisfy in full all acceptances of the Exit Offer has been extracted from Section 16 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“16. “CONFIRMATION OF FINANCIAL RESOURCES

The maximum amount of cash consideration payable by the Offeror in connection with the Exit Offer is approximately S\$105,358,800 (approximately HK\$654,014,751 at the Latest Exchange Rate) in aggregate, which will be funded by the Offeror through existing HK\$ and S\$ cash resources of an aggregate approximate amount of HK\$32,121,006 at the Latest Exchange Rate (approximately S\$5,174,548 at the Latest Exchange Rate) and the Exit Offer Facility of an amount of up to HK\$670,000,000. The loans made under the Exit Offer Facility are to be secured by (a) a charge granted by the Offeror over 347,304,000 Shares, representing approximately 34.73% of the total number of issued Shares, in favour of CITIC Securities Brokerage (HK) Limited; and (b) a charge granted by Go Power over 297,734,000 Shares, representing approximately 29.77% of the total number of issued Shares, in favour of CITIC Securities Brokerage (HK) Limited; and (c) a charge granted by the Offeror over all Offer Shares to be acquired pursuant to the Exit Offer in favour of CITIC Securities Brokerage (HK) Limited. Mr. Liu and Ms. Yan have entered into personal guarantees guaranteeing the obligations of the Offeror (as borrower) and Go Power respectively. Save as set out in this Section 16 and pursuant to the conditions to the placing (which are set out in Section 9 of this Exit Offer Letter) under the Placing Agreement (the proceeds of which placing will be used towards repayment of the Exit Offer Facility and related fees and expenses), no payment of interest on, repayment of or security for any liability (contingent or otherwise) under the Exit Offer shall depend to any significant extent on the business of the Company.

⁷ The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” of this Circular.

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CITIC Securities, as the Offeror's Hong Kong financial adviser, confirms in accordance with the HK Takeover Code that, after taking into account the Undertakings, sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Exit Offer.

CLSA Singapore, as the Offeror's Singapore financial adviser, confirms in accordance with the Singapore Takeover Code that, after taking into account the Undertakings, sufficient financial resources are available to the Offeror to satisfy in full all acceptances of the Exit Offer."

14. EFFECT ON SHAREHOLDERS

14.1 Implications of the Delisting for Shareholders registered in the HK Branch Register

If the Delisting were to proceed and if Shareholders registered in the HK Branch Register wish to transfer their Shares to the Singapore Register for any reason, the latest date they may do so is ten (10) Business Days before the last date of trading of Shares on the SGX-ST.

14.2 Implications of the Delisting for Shareholders who do not accept the Exit Offer

14.2.1 Shareholders who currently trade their Shares on the SGX-ST and who do not accept the Exit Offer will be able to continue trading their Shares on the Main Board of the SEHK subsequent to the completion of the Delisting as their Shares will be automatically transferred, at the Company's cost, from the Singapore Register to the HK Branch Register. The Company will issue new share certificates in respect of such Shareholders' Shares registered on the HK Branch Register and the Hong Kong Branch Share Registrar will mail the new share certificates by ordinary post to the mailing addresses of Shareholders as they appear in the Address Notification Form submitted to the Company, at such Shareholders' own risk. The new share certificates to be issued to such Shareholders are identical to the existing share certificates registered in the HK Branch Register. Such Shareholders' existing share certificates in respect of their Shares registered on the Singapore Register will be automatically cancelled and become invalid for delivery, trading and settlement. Shareholders who have not submitted the Address Notification Form to the Company three (3) Business Days before the date of the Delisting will have their new share certificates delivered by ordinary post, at their own risk, to their registered addresses as set out in the records of the Company and/or CDP. Shareholders will thereafter be able to trade their Shares freely on the Main Board of the SEHK the next trading day after the date of despatch of the new share certificates upon setting up investor participant stock accounts in CCASS with the HKSCC or stock accounts with designated CCASS participants, through brokerage firms in Hong Kong or Singapore which offer such services, and depositing their Shares into CCASS for credit to their investor participant stock accounts or their designated CCASS participant stock accounts thereafter.

14.2.2 On completion of the Delisting, the Company will no longer be subject to compliance with the SGX-ST Listing Manual. Notwithstanding the foregoing, the Company will continue to comply with the HK Listing Rules, for so long as it remains listed on the Main Board of the SEHK. The Company will also be subject to compliance with the Singapore Companies Act.

14.2.3 Shareholders should note that under the Singapore Takeover Code, except with the consent of the SIC, neither the Offeror nor any person acting in concert with it may, within six (6) months of the close of the Exit Offer, if it was declared unconditional in all respects, make a second offer to, or acquire any Shares from, any Shareholder on terms better than those made available under the Exit Offer.

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14.3 Compulsory Acquisition

The information relating to the Offeror's rights of compulsory acquisition under the Singapore Companies Act has been extracted from Section 10 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

"10. COMPULSORY ACQUISITION

10.1 Pursuant to Section 215(1) of the Singapore Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Exit Offer (or otherwise acquires Shares during the period that the Exit Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those Shares already held by the Offeror, its related corporations or their respective nominees as at the date of the Exit Offer and excluding treasury Shares), the Offeror will be entitled to compulsorily acquire all the Offer Shares from Shareholders who have not accepted the Exit Offer on the same terms as those offered under the Exit Offer.

Pursuant to Rule 2.11 of the HK Takeover Code, except with the consent of the Executive, where any person seeks to acquire or privatise a company by means of an offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by law, acceptances of the offer and purchases (in each case of the disinterested shares) made by the Offeror and persons acting in concert with it during the period of four months after the posting of the initial offer document total 90% of the disinterested shares.

As it is the intention of the Offeror to preserve the primary listing status of the Shares on the Main Board of the SEHK following the completion of the Delisting, the Offeror does not intend to exercise any rights of compulsory acquisition under Section 215(1) of the Singapore Companies Act and Rule 2.11 of the HK Takeover Code respectively.

10.2 In addition, Shareholders who do not accept the Exit Offer have the right under and subject to Section 215(3) of the Singapore Companies Act, to require the Offeror to acquire their Shares at the Exit Offer Price⁷ in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Exit Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding treasury Shares). Shareholders who wish to exercise such right are advised to seek their own independent legal advice."

⁷ *The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the "Letter to Shareholders" in this Circular.*

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15. OVERSEAS SHAREHOLDERS

15.1 The information relating to the availability of the Exit Offer to the Shareholders who are not resident in Hong Kong or Singapore has been extracted from Section 18 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“18. OVERSEAS SHAREHOLDERS

18.1 Overseas Shareholders

The Offeror intends to make the Exit Offer available to all Shareholders (other than the Offeror Concert Group and the Undertaking Persons), including those who are not resident in Hong Kong or Singapore. However, the availability of the Exit Offer to Overseas Shareholders may be affected by the laws of the relevant overseas jurisdictions. Accordingly, Overseas Shareholders should inform themselves about and observe any applicable legal requirements and restrictions in the relevant overseas jurisdictions, and exercise caution in relation to the Exit Offer.

18.2 Responsibility of Overseas Shareholders

*It is the responsibility of any Overseas Shareholder who (a) receives copies of this Exit Offer Letter, the relevant Acceptance Form and the Circular, and/or (b) accepts the Exit Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of governmental or any other consents which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, the Joint Financial Advisers, CDP, the Principal Share Registrar in Singapore, the Branch Share Registrar and Transfer Office in Hong Kong and/or any person acting on his behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, the Joint Financial Advisers, CDP, the Principal Share Registrar in Singapore, the Branch Share Registrar and Transfer Office in Hong Kong and/or any person acting on his behalf may be required to pay. In (a) receiving copies of this Exit Offer Letter, the relevant Acceptance Form and the Circular and/or (b) accepting the Exit Offer, the Overseas Shareholder represents and warrants to the Offeror, the Joint Financial Advisers, CDP, the Principal Share Registrar in Singapore and the Branch Share Registrar and Transfer Office in Hong Kong that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.***

18.3 Notices

The Offeror and the Joint Financial Advisers each reserves the right to (a) reject any acceptance of the Exit Offer which they believe, or have reason to believe, that such acceptance may violate the applicable laws of any jurisdiction or which do not comply with the provisions and instructions of this Exit Offer Letter or the relevant Acceptance Forms; and (b) notify any matter, including the despatch of this Exit Offer Letter, any formal documentation relating to the Exit Offer, and the fact that the Exit Offer has been made, to any or all Shareholders (including the Overseas Shareholders) by announcement to the SGX-ST and the SEHK and if necessary, by paid advertisement in

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newspapers published and circulated in Singapore and/or Hong Kong, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.”

16. INFORMATION RELATING TO CPFIS INVESTORS

- 16.1 The information pertaining to CPFIS Investors has been extracted from Section 19 of the Exit Offer Letter and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“19. INFORMATION PERTAINING TO CPFIS INVESTORS

*CPFIS Investors should receive further information on how to accept the Exit Offer from their respective CPF Agent Banks shortly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Exit Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Exit Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Exit Offer will receive payment of the Exit Offer Price⁸ in respect of their Offer Shares in their CPFIS accounts. Following the completion of the Delisting, the Shares cannot be deposited with CDP and the Company will arrange to forward the individual share certificates representing the Offer Shares held by individual CPFIS Investors who do not accept the Exit Offer to their respective CPF Agent Banks for safe-keeping. CPFIS Investors will not be allowed to use funds from their CPF accounts for further purchases of the Shares because under the Central Provident Fund (Investment Schemes) Regulations, CPF funds may only be invested in the shares of companies incorporated in Singapore that are listed on the SGX-ST, traded in Singapore dollars and included under the CPFIS. Please refer to **Appendix 2** to this Exit Offer Letter for further details relating to CPFIS Investors who do not accept the Exit Offer.”*

- 16.2 Please refer to Appendix 2 to the Exit Offer Letter for further details relating to CPFIS Investors who do not accept the Exit Offer.

17. ADVICE OF IFA

- 17.1 The Board has appointed ING Bank N.V. as the IFA to advise the Independent Board Committee for the purposes of making their recommendation in connection with the Exit Offer and the Delisting. The appointment of ING Bank N.V. as the IFA has been approved by the Board and the Independent Board Committee.

⁸ *The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per Share of the 2013 Final Dividend, as described in the extracts of the Exit Offer Letter as set out in Section 3.1 of the “Letter to Shareholders” in this Circular.*

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17.2 An extract of the IFA Letter setting out the opinion of the IFA in respect of the Exit Offer and the Delisting is reproduced in italics below. Shareholders should read the following in conjunction with, and in the context of, the full text of the IFA Letter in **Appendix I** to this Circular. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as defined in the IFA Letter.

“8. OPINION IN RESPECT OF THE EXIT OFFER

In arriving at our opinion in respect of the Exit Offer, we have reviewed and evaluated all key factors, including the views and representations of the Directors and management of China XLX, which we deem to have significant relevance to our assessment of whether (a) the terms of the Exit Offer is fair and reasonable and (b) the Exit Offer is not prejudicial to the interests of the Independent Shareholders.

We have taken into account the following, which should be read in conjunction with, and interpreted, in the full context of this letter:-

- a) *the Exit Offer Price represents a premium of approximately 23.1% over China XLX Shares' closing price of S\$0.325 on the last trading day prior to the Possible Offer Announcement Date;*
- b) *the Exit Offer Price represents a premium of approximately 11.4% to 28.9% over the 5-day, 1-month, 3-month, 6-month and 12-month China XLX Share VWAPs of S\$0.329, S\$0.310, S\$0.321, S\$0.327 and S\$0.359 respectively, preceding the Possible Offer Announcement Date;*
- c) *the Exit Offer Price represents a discount of approximately 22.8% and 15.6% over the unaudited consolidated net asset value and the unaudited consolidated net tangible asset value, respectively, per China XLX Share of S\$0.52 and S\$0.47 as at 31 March 2014 (assuming an exchange rate of S\$1.00:RMB4.945). We note, however, that the realisation of the value of the assets of China XLX may take significant effort and time and that the realised value may differ significantly from the current estimates due to changed circumstances prevailing at the time of such realisation;*
- d) *we concur with management's view that China XLX shall benefit from the Chinese government's on-going support for agriculture and that the China XLX Group should achieve its growth targets through further development of its products and brand identity. However, we note that continued decreases in the price of urea and compound fertiliser could have a negative impact on the margins in these business lines;*
- e) *the EV/EBITDA, P/E, P/B and P/NTA ratios of China XLX implied by the Exit Offer Price are within the range of the Comparable Companies. The EV/EBITDA implied by the Exit Offer Price is above the mean and median of the comparable companies while the P/E, P/B and P/NTA ratios are below the mean and median of the Comparable Companies; and*
- f) *the premia over China XLX SGX-ST Share Price implied by the Exit Offer Price is in line with the premia of the Reference Transactions and VGO Precedents.*

Having regard to the foregoing, as at the date of this letter, we are of the opinion that on balance:

- (a) the terms of the Exit Offer is fair and reasonable so far as the Independent Shareholders are concerned; and***
- (b) the Exit Offer is not prejudicial to the interests of the Independent Shareholders.***

(The following paragraphs apply to Independent Shareholders on the HK Branch Register)

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Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders vote in favour of the Delisting Resolution at the EGM and accept the Exit Offer.

In the event that the market price of the China XLX Shares exceeds the Exit Offer Price during the period when the Exit Offer is open for acceptance and the sales proceeds (net of transaction costs) exceeds the amount receivable under the Exit Offer, Independent Shareholders should consider not accepting the Exit Offer and consider seeking to sell their China XLX Shares in the market if they are able to do so.

Independent Shareholders who, having taken the Exit Offer Price into consideration, would like to hold the China XLX Shares for a longer term and who are confident and optimistic about their equity investments in China XLX and the prospects of the China XLX Group following the Delisting, and are ready to hold China XLX Shares listed on the SEHK should consider not accepting the Exit Offer.

The Independent Board Committee should advise Independent Shareholders that their decision to realise or to hold their investment in the China XLX Shares depend on their own individual circumstances and investment objectives.

Our Opinion herein is based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date. Independent Shareholders will be notified by the Directors of any material changes and our Opinion (where it stays the same or being updated) prior to the closing date as soon as practicable if such material change arises after the despatch of the Circular during the Offer Period.

This Opinion is provided for the benefit of the Independent Board Committee in their evaluation of the Delisting and the Exit Offer and may not be relied on for any other purposes, without the prior written consent of ING.”

17.3 The full text of the IFA Letter containing its recommendation to the Independent Board Committee is set out in **Appendix I** to this Circular.

18. INDEPENDENT BOARD COMMITTEE’S RECOMMENDATION

18.1 Independent Board Committee’s Recommendation Pursuant to the HK Takeover Code and the Singapore Takeover Code

18.1.1 Pursuant to the HK Takeover Code, an Independent Board Committee, which comprises all the non-executive Directors, has been established to advise and make its recommendation to the Shareholders in respect of the Exit Offer and the Delisting.

18.1.2 The Directors who constitute the Independent Board Committee are the same Directors who are considered independent under the Singapore Takeover Code for the purposes of making a recommendation to Independent Shareholders in respect of Exit Offer and the Delisting. As such, the Independent Board Committee’s recommendation is made pursuant to both the Singapore Takeover Code and the HK Takeover Code.

18.1.3 Pursuant to Rule 24.1 of the Singapore Takeover Code, save for Mr. Liu, Mr Li Buwen and Ms. Yan, all the Directors are independent for the purposes of the Exit Offer and the Delisting and are required to make a recommendation to Shareholders in respect of the Exit Offer and the Delisting. The SIC has ruled on 27 January 2014 that Mr. Liu, Mr. Li Buwen and Ms. Yan are exempted from the requirement to make a recommendation on the Exit Offer to Shareholders as they face irreconcilable conflicts of interest in doing so, being concert parties of the Offeror. As Directors, Mr. Liu, Mr. Li Buwen and Ms. Yan face irreconcilable conflicts of interest for the following reasons:

- (a) Mr. Liu faces an irreconcilable conflict of interest because he is the sole director of the Offeror and he holds beneficially approximately 42% of the equity interest of the

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Offeror, and holds the other 58% on trust for 7 beneficiaries (including Mr. Li Buwen) under a trust agreement. Pursuant to a trust declaration dated 26 July 2006, Mr. Liu has the absolute discretion to exercise the voting rights held by the Offeror in the Company.

- (b) Mr. Li Buwen faces an irreconcilable conflict of interest because he holds beneficially 16% of the equity interest of the Offeror, held on trust by Mr. Liu.
- (c) Ms. Yan faces an irreconcilable conflict of interest because she owns beneficially approximately 12.74% of the equity interest in Go Power and holds the balance 87.26% equity interest in Go Power on trust for 1,463 beneficiaries. The Offeror is acting in concert with Go Power in relation to the Exit Offer. Pursuant to a trust agreement dated 26 July 2006 and the trust confirmation dated 16 June 2009, Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in the Company.

Mr. Liu, Mr. Li Bu Wen and Ms. Yan must, nonetheless, still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Exit Offer.

- 18.1.4 The Independent Board Committee has reviewed the terms of the Delisting Proposal and the Exit Offer and carefully considered the factors and reasons considered by, and the opinion of, the IFA. The Independent Board Committee unanimously concurs with the assessment of the IFA and its recommendations thereon. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the Delisting Resolution at the EGM and accept the Exit Offer.

In the event that the market price of the Shares exceeds the Exit Offer Price during the period when the Exit Offer is open for acceptance and the sales proceeds (net of transaction costs) exceeds the amount receivable under the Exit Offer, Independent Shareholders should consider not accepting the Exit Offer and consider seeking to sell their Shares in the market if they are able to do so.

Independent Shareholders who, having taken the Exit Offer Price into consideration, would like to hold the Shares for a longer term and who are confident and optimistic about their equity investments in the Company and the prospects of the Group following the Delisting, and are ready to hold Shares listed on the Main Board of the SEHK should consider not accepting the Exit Offer.

- 18.1.5 The letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out in **Appendix II** to this Circular.

- 18.2** In rendering the above opinion and giving the above recommendations, the Independent Board Committee has not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Board Committee recommends that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

19. EGM

The EGM, notice of which is set out on page 193 of this Circular, will be held on 21 July 2014 at 11:00 a.m. (Hong Kong and Singapore time) at Amara Sanctuary Resort Sentosa, 1 Larkhill Road Sentosa, Singapore 099394 for the purpose of considering and, if thought fit, passing, on a poll, with or without any modification, the Delisting Resolution set out in the Notice of EGM.

In order to be entitled to attend and vote at the EGM, all transfers, accompanied by relevant Share certificates:

- (a) in respect of Shares registered on the Singapore Share Register, should be lodged with Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 048619 no later than 11:00 a.m. (Hong Kong and Singapore Time) on 19 July 2014; and

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- (b) in respect of Shares registered on the HK Branch Register, should be lodged with Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in respect of Shares on the HK Branch Register, no later than 11:00 a.m. (Hong Kong and Singapore Time) on 19 July 2014.

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf must complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Principal Share Registrar in Singapore or the HK Branch Register no later than 48 hours before the time fixed for the EGM.

A Depositor shall not be regarded as a Shareholder and is not entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.

20. COURSES OF ACTION AVAILABLE TO SHAREHOLDERS

20.1 Acceptance Forms

- (a) If you hold Offer Shares that are deposited with CDP, you should receive a SG FAA together with the Exit Offer Letter. If you have not received the SG FAA, you may obtain a copy of the SG FAA from the Offeror c/o CDP, at 9 North Buona Vista Drive, #01-19/20, The Metropolis, Singapore 138588, upon production of satisfactory evidence that you are a Depositor holding Offer Shares through CDP.
- (b) If you are a Singapore Registered Shareholder, you should receive a SG FAT together with the Exit Offer Letter. If you have not received a SG FAT, you may obtain a copy of the SG FAT from the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, upon production of satisfactory evidence that you are a Singapore Registered Shareholder.
- (c) If you are a HK Branch Registered Shareholder, you should receive a HK FAT together with the Exit Offer Letter. If you have not received a HK FAT, you may obtain a copy of the HK FAT from the office of the Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, upon production of satisfactory evidence that you are a HK Branch Registered Shareholder.
- (d) If you are a HK Branch Registered Shareholder holding your Shares through a nominee or in CCASS, please instruct your nominee company, or other nominee to elect to accept the Exit Offer in accordance with instructions given by your nominee or CCASS nominees.

20.2 Acceptance of the Exit Offer

The Exit Offer may only be accepted by the relevant Shareholder (or, as the case may be, the Depositor holding Offer Shares through CDP) to whom the Exit Offer Letter is addressed. **Shareholders may choose to accept the Exit Offer before the EGM. However, such acceptance is conditional upon the Condition being fulfilled on or before the Long-Stop Date. Shareholders should note that if the Delisting Resolution is not passed at the EGM, the Condition will not be satisfied, the Delisting will not proceed and the Company will remain listed on the Official List of the Mainboard of the SGX-ST and on the SEHK. The Exit Offer will lapse and the Offeror will cease to be bound by any prior acceptances of the Exit Offer by any Shareholder. The Offer Shares in respect of which acceptances have been received shall be returned to the relevant Shareholders in accordance with the procedures set out in the Exit Offer Letter and the relevant Acceptance Forms.**

SHAREHOLDERS SHOULD NOTE THAT APPROVING THE DELISTING RESOLUTION AT THE EGM DOES NOT AUTOMATICALLY MEAN THAT YOU HAVE ACCEPTED THE EXIT OFFER.

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20.3 Courses of Action in relation to the Exit Offer

Shareholders

- (a) If you decide to accept the Exit Offer, you should complete, sign and return the relevant Acceptance Form in accordance with the provisions and instructions in the Exit Offer Letter and the relevant Acceptance Form during the period commencing from the date of despatch of the Exit Offer Letter and ending at 4.00 p.m. (Hong Kong and Singapore time) on the Closing Date.

If you are a Singapore Registered Shareholder and wish to accept the Exit Offer in respect of such Offer Shares, you should not deposit the share certificate(s) with CDP during the period commencing on the date of this Exit Offer Letter and ending at 4.00 p.m. (Hong Kong and Singapore Time) on the Closing Date (both dates inclusive) as the “Free Balance” of your Securities Account may not be credited with the relevant number of Offer Shares in time for you to accept the relevant Exit Offer.

The detailed procedures for acceptance of the Exit Offer are set out in Appendices 2 and 3 to the Exit Offer Letter.

- (b) If you decide not to accept the Exit Offer, you do not have to take any action.
- (i) **If you are a Depositor**, your Shares will be removed from CDP and automatically transferred, at the Company’s cost, from the Singapore Register to the HK Branch Register, and the Company will issue and mail by ordinary post to your mailing address as it appears in the Address Notification Form submitted to the Company, at your own risk, new share certificates in respect of your Shares registered on the HK Branch Register. The new share certificates to be issued to such Shareholders are identical to the existing share certificates registered in the HK Branch Register. If you have not submitted the Address Notification Form to the Company three (3) Business Days before the date of the Delisting, your new share certificates will be delivered by ordinary post, at your own risk, to your registered address as set out in the records of the Company and/or CDP. You will thereafter be able to trade your Shares freely on the SEHK upon setting up investor participant stock accounts in CCASS with the HKSCC or stock accounts with designated CCASS participants, through brokerage firms in Hong Kong or Singapore which offer such services, and depositing your Shares into CCASS for credit to your investor participant stock accounts or designated CCASS participant stock accounts thereafter.
- (ii) **If you are a Singapore Registered Shareholder**, your Shares will be automatically transferred, at the Company’s cost, from the Singapore Register to the HK Branch Register, and the Company will issue and mail by ordinary post to your mailing address as it appears in the Address Notification Form submitted to the Company, at your own risk, new share certificates in respect of your Shares registered on the HK Branch Register. The new share certificates to be issued to such Shareholders are identical to the existing share certificates registered in the HK Branch Register. If you have not submitted the Address Notification Form to the Company three (3) Business Days before the date of the Delisting, your new share certificates will be delivered by ordinary post, at your own risk, to your address as set out in the records of the Company. Your existing share certificates in respect of your Shares registered on the Singapore Register will also be automatically cancelled and become invalid for delivery, trading and settlement. You will be able to trade your Shares freely on the SEHK the next trading day after the date of despatch of the new share certificates upon setting up investor participant stock accounts in CCASS with the HKSCC or stock accounts with designated CCASS participants, through brokerage firms in Hong Kong or Singapore which offer such services, and depositing your Shares into CCASS for credit to your investor participant stock accounts or designated CCASS participant stock accounts thereafter.

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- (iii) **If you are a HK Branch Registered Shareholder or hold your Shares through a nominee arrangement in CCASS**, nothing will change and you will continue as a Shareholder as you did prior to the Delisting for as long as you hold Shares in the Company. Your existing share certificates in respect of Shares registered in the HK Branch Register will still be valid for delivery, trading and settlement purposes.

Any inquiries relating to the transfer of Shares from the Singapore Register to the HK Branch Register should be directed during office hours to the Principal Share Registrar in Singapore and the Branch Share Registrar and Transfer Office in Hong Kong:

***Principal Share Registrar
in Singapore***

Tricor Barbinder Share Registration Services
Telephone: (65) 6236 3550
(65) 6236 3555

***Branch Share Registrar and
Transfer Office in Hong Kong***

Tricor Investor Services Limited
Telephone: (852) 2980 1333

21. DIRECTORS' RESPONSIBILITY STATEMENTS

21.1 Pursuant to the HK Takeover Code:

All Directors jointly and severally accept full responsibility for the accuracy of information contained in this Circular (other than information relating to the Offeror Concert Group or other information which is directly extracted from the Exit Offer Letter which all the Directors jointly and severally take responsibility for the correctness and fairness of its reproduction or presentation) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Circular have been arrived at after due and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

21.2 Pursuant to the SGX-ST Listing Manual:

The Directors (including any Director who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular (other than information relating to the Offeror Concert Group or other information which is directly extracted from the Exit Offer Letter which all the Directors jointly and severally take responsibility for the correctness and fairness of its reproduction or presentation) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Delisting, the Exit Offer, and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including, without limitation, information in relation to the Offeror Concert Group, the Undertaking Persons and the Joint Financial Advisers), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

- 21.3 The recommendations of the Independent Board Committee to the Independent Shareholders in this Circular are the sole responsibility of the Independent Board Committee.

22. CONSENTS

22.1 Consent of IFA

ING Bank N.V., as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter, and all references to the IFA Letter and its name in the form and context in which they appear in this Circular.

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22.2 Consent of Ernst & Young LLP

Ernst & Young LLP, the auditors appointed by the Company, have given and have not withdrawn their written consent to the issue of this Circular with the inclusion of their reports in Appendix V and VI to this Circular and all references to their names in the form and context in which they appear in this Circular.

22.3 Consent of Principal Share Registrar in Singapore

Tricor Barbinder Share Registration Services has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which it appears in this Circular.

22.4 Consent of Branch Share Registrar and Transfer Office in Hong Kong

Tricor Investor Services Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which it appears in this Circular.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours at the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898; and (ii) during normal business hours at the office of the Branch Share Registrar and Transfer Office in Hong Kong, at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; from the date hereof for so long as the Exit Offer remains open for acceptance and will be displayed on the website of the Company at <http://www.chinaxlx.com.hk> and on the website of the SFC at <http://www.sfc.hk>:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual reports of the Company for FY2011, FY2012 and FY2013;
- (c) the unaudited financial results of the Company for 1QFY2014, the accompanying auditors report and letter from the IFA, as set out in **Appendices VI and VII** to this Circular;
- (d) the Joint Offer Announcement;
- (e) the letter from the Board to the Shareholders and the Bondholders, the text of which is set out in Sections 1 to 24 in "Letter to Shareholders" of this Circular;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in **Appendix II** to this Circular;
- (g) the IFA Letter to the Independent Board Committee, the text of which is set out in **Appendix I** to this Circular;
- (h) the Bonds Undertaking;
- (i) the Shares Undertakings;
- (j) the letters of consent referred to in Section 22 in "Letter to Shareholders" of this Circular; and
- (k) the Directors' service contracts referred to under Section 9 titled "Directors' service contracts" in **Appendix IV** to this Circular.

LETTER TO SHAREHOLDERS

24. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of

CHINA XLX FERTILISER LTD.

Liu Xingxu

Chairman, Chief Executive Officer and executive Director

18 June 2014

APPENDIX I: LETTER FROM IFA TO THE INDEPENDENT BOARD COMMITTEE



ING Bank N.V., Singapore Branch
9 Raffles Place
#19-02 Republic Plaza
Singapore 048619

ING Bank N.V., Hong Kong Branch
36/F., One International Finance Centre
1 Harbour View Street
Central, Hong Kong

18 June 2014

The Independent Board Committee
China XLX Fertiliser Ltd.
80 Robinson Road, #02-00
Singapore 068898

Dear Sirs,

- (A) **THE CONDITIONAL CASH EXIT OFFER BY THE JOINT FINANCIAL ADVISORS (AS DEFINED HEREIN) FOR AND ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) TO ACQUIRE ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF CHINA XLX FERTILISER LTD. OTHER THAN (I) THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR CONCERT GROUP (AS DEFINED HEREIN); (II) THE UNDERTAKING SHARES (AS DEFINED HEREIN) AND (III) THE UNDERTAKING BONDS (AS DEFINED HEREIN); AND**
- (B) **THE PROPOSED VOLUNTARY DELISTING OF THE SHARES OF CHINA XLX FERTILISER LTD. FROM THE OFFICIAL LIST OF THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) PURSUANT TO RULES 1307 AND 1309 OF THE MAINBOARD RULES OF THE LISTING MANUAL OF THE SGX-ST**

You, the Independent Board Committee (as defined herein) of China XLX Fertiliser Ltd. (“**you**” or “**China XLX**”), have asked us, the Corporate Finance Division of ING Bank N.V. pursuant to an engagement (the “**Engagement**”) set out in an Engagement letter dated 31 March 2014, to give you our opinion (the “**Opinion**”) with respect to the fairness and reasonableness of the terms of the conditional exit offer (the “**Exit Offer**”) and recommendation on voting in relation to the proposed voluntary delisting of China XLX from the Official List of the Mainboard of the SGX-ST pursuant to Rules 1307 and 1309 of the mainboard rules of the listing manual of the SGX-ST (the “**Listing Manual**”) (the “**Delisting**”) (the “**Transactions**”).

In arriving at our Opinion, we have reviewed and considered China XLX’s circular to its Shareholders¹ dated 18 June 2014 (“**Circular**”), the annual and interim reports of China XLX. We have also discussed with the management of China XLX in respect of the business operation and future prospects of the company.

We have also compared the data provided to us with similar publicly available data for various other companies in your business sector, and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have recently been effected by such companies. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant for the purposes of producing our Opinion.

¹ *Holders of the China XLX Shares (as defined herein) as indicated on the register of members of China XLX in Singapore (“Singapore Register”), the register of members of China XLX in Hong Kong (“HK Branch Register”), and a person who has an account directly with Central Depository (Pte) Limited of Singapore (“CDP”) or a member company of the SGX-ST (but not a sub-account holder) who have China XLX Shares entered against their names in the register maintained by CDP in respect of book-entry securities*

APPENDIX I: LETTER FROM IFA TO THE INDEPENDENT BOARD COMMITTEE

1. INTRODUCTION

On 11 December 2013 (the “**Possible Offer Announcement Date**”), China XLX announced that Pioneer Top Holdings Limited (“**Offeror**”) approached China XLX with respect to making a possible exit offer to acquire all the ordinary shares in the issued and paid-up capital of China XLX (“**China XLX Shares**”), other than those already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it, at a cash consideration of S\$0.40 per China XLX Share, in connection with the Delisting while maintaining the continued primary listing of the China XLX Shares on The Stock Exchange of Hong Kong Limited (“**SEHK**”).

On 31 March 2014 (the “**Joint Offer Announcement Date**”), the Offeror and China XLX jointly announced that the Offeror had presented to the directors of China XLX (“**Directors**”) the formal proposal dated 31 March 2014 to seek the Delisting (“**Delisting Proposal**”). Under the Delisting Proposal, CITIC Securities Corporate Finance (HK) Limited (“**CITIC Securities**”) and CLSA Singapore Pte Ltd (“**Joint Financial Advisors**”), for and on behalf of the Offeror, are making the Exit Offer to acquire all the China XLX Shares in respect of which the Exit Offer is made other than (i) those China XLX Shares already owned, controlled or agreed to be acquired by the Offeror Concert Group (as defined herein), (ii) the Undertaking Shares (as defined herein) and (iii) the Undertaking Bonds² (“**Offer Shares**”).

As at 13 June 2014 (the “**Latest Practicable Date**”), the Offeror, Mr. Liu Xingxu (“**Mr. Liu**”), Ms. Yan Yunhua and Go Power Investments Limited (together the “**Offeror Concert Group**”), has an aggregate interest in 649,428,000 China XLX Shares representing approximately 64.94% of the total number of issued China XLX Shares. The Offeror is owned as to 42% by Mr. Liu and the remaining 58% is held by Mr. Liu on trust for seven beneficiaries. Pursuant to a trust agreement, Mr. Liu has the absolute discretion to exercise the voting rights held by the Offeror in China XLX. Go Power is owned as to 12.74% by Ms. Yan and the remaining 87.26% is held by Ms. Yan on trust for 1,463 beneficiaries. Pursuant to a trust confirmation, Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in China XLX. The Offeror Concert Group is entitled to and intends to vote all their China XLX Shares in favour of the resolution to be approved by Shareholders at the extraordinary general meeting (“**EGM**”) in relation to the Delisting (“**Delisting Resolution**”).

As at the Latest Practicable Date, China XLX has an issued and paid-up share capital of 1,000,000,000 China XLX Shares and save for the Bonds³, does not have any other outstanding options, rights, warrants or other instruments convertible into, exercisable for or redeemable with, any China XLX Shares. As at the Latest Practicable Date, the Offeror has obtained:

- (i) irrevocable undertakings from the Shareholders holding in aggregate 385,809,000 China XLX Shares (“**Undertaking Shareholders**”), representing 38.58% of the total issued China XLX Shares (“**Undertaking Shares**”), that they will, amongst other things, (a) exercise or procure the exercise of the voting rights attached to their China XLX Shares to vote in favour of the

² An aggregate principal amount of RMB324,366,153.50 of the outstanding Bonds (as defined herein) held by Nitro Capital Limited (“**Bondholder**”) which are convertible into 176,000,000 China XLX Shares based on the prevailing conversion price of approximately RMB1.84 per China XLX Share as at the Latest Practicable Date

³ The 4.5% convertible bonds due on 21 December 2016 and issued by China XLX to the Bondholder on 21 December 2011 with an aggregate outstanding principal amount of RMB324,366,153.50, which are convertible into 176,000,000 China XLX Shares at the prevailing conversion price of approximately RMB1.84 per China XLX Shares as at the Latest Practicable Date

APPENDIX I: LETTER FROM IFA TO THE INDEPENDENT BOARD COMMITTEE

Delisting Resolution at the EGM and (b) not to accept the Exit Offer in respect of all or any of their China XLX Shares as set out in Appendix 1 of the Exit Offer Letter⁴; and

- (ii) irrevocable undertaking from the Bondholder to the Offeror dated 31 March 2014 that the Bondholder will, amongst other things, (a) waive its rights to receive any offer for the Bonds under the Singapore Code on Take-overs and Mergers ("**Singapore Takeover Code**") and the Code on Takeovers and Mergers of Hong Kong ("**HK Takeover Code**") from the Offeror arising from the Exit Offer and the Delisting and (b) not to exercise the right of conversion or right of redemption attached to the Bonds prior to the close or withdrawal of the Exit Offer ("**Bonds Undertaking**").

In view of the Bonds Undertaking, the Securities Industry Council of Singapore has ruled that there is no requirement for the Offeror to make any equivalent Exit Offer for the Bonds under the Singapore Takeover Code.

China XLX has appointed ING Bank N.V. ("**ING**") as the independent financial advisor ("**IFA**") to the independent committee of the board⁵ established on 31 March 2014 pursuant to Rule 2.1 of the HK Takeover Code ("**Independent Board Committee**") in connection with the Exit Offer and the Delisting.

This letter forms part of the Circular which provides, *inter alia*, further details of the Exit Offer and the Delisting, the recommendation of the Independent Board Committee to the independent Shareholders (the "**Independent Shareholders**") in relation to the Exit Offer and the Delisting and the notice of the EGM. Unless otherwise defined or where the context otherwise requires, capitalised terms used in this letter shall have the same meaning as defined in the Circular.

2. TERMS OF REFERENCE

ING has been appointed⁶ to give our Opinion to the Independent Board Committee in respect of the Transactions

In formulating our Opinion and recommendation with regards to the Transactions:

1. We have not assumed any responsibility for independent verification of, and we have not independently verified, any of the foregoing information and have relied on all such information as being sufficient, complete and accurate and not misleading in all material respects, without any additional check being undertaken to verify the completeness and accuracy of such disclosure. For the avoidance of doubt, we have assumed that no information has been withheld from us that could have an impact on this Opinion;
2. We have not assumed any responsibility for any aspect of the work that any professional advisors have produced regarding the Transactions and we have assumed as true and accurate and not misleading any work produced by such advisors. We have not provided, obtained or reviewed any legal, tax, regulatory, accounting, actuarial or other advice and as such assume no liability or responsibility in connection therewith. Accordingly, in providing this Opinion, we have not taken into account the possible implications of any such advice;

⁴ The letter dated 18 June 2014 setting out, amongst other things, details of the Exit Offer (including the expected timetable and terms of the Exit Offer), together with the relevant form(s) of acceptance which is issued by the Joint Financial Advisors, for and on behalf of the Offeror, to all Shareholders in connection with the Exit Offer in accordance with Singapore Takeover Code and the HK Takeover Code

⁵ Comprising all the non-executive Directors, namely Messrs Li Shengxiao, Lian Jie, Ong Wei Jin and Ong Kian Guan

⁶ The appointment of ING as IFA has been approved by the Independent Board Committee on 31 March 2014

APPENDIX I: LETTER FROM IFA TO THE INDEPENDNT BOARD COMMITTEE

3. We have assumed that all corporate and other action required by you, your subsidiaries and your other affiliates (“**China XLX Group**”) to complete the Transactions and carry out your obligations thereunder has been or will be duly taken, that the Transactions documentation will constitute a valid and legally binding obligation of you, that you have sufficient financial resources to honour all of your financial obligations in respect of the Transactions without any breach of covenants or other negative financial impact, and that the execution, delivery and performance by you of the Transactions will not violate or be prohibited by either your internal constitution or by any provision of any existing law applicable to you or any agreement or instrument binding on you or any of your assets or constitute a default or termination event (however described) under any such agreement or instrument;
4. In addition, we have not been requested to make (and therefore have not made) an independent evaluation or appraisal of your assets and liabilities (contingent or otherwise), nor have we been furnished with any such evaluations or appraisals. Our Opinion is necessarily based upon publicly available information collated by us up to the Latest Practicable Date, and the financial, economic, political and social market and other relevant conditions to the Opinion as they exist and can be evaluated, as at the Latest Practicable Date;
5. We have not obtained from China XLX any projection of the future performance or forecast of China XLX and/or the China XLX Group and we did not have access to any business plan, budget, forecast and financial projections of China XLX and/or the China XLX Group other than the projection figures for the purpose of discussing with China XLX the “no material change statement” of China XLX as set out in the section headed “Material Changes in Financial Position” in Appendix IV of the Circular. We also do not express an opinion herein as to the prices at which the shares of China XLX may trade or the future value, financial performance or condition of China XLX and/or the China XLX Group, upon or after completion of the Delisting and/or the Exit Offer. ING has not conducted due diligence with respect to China XLX other than its review of certain publicly available information related to China XLX. Accordingly, for the purposes of its Opinion, ING has assumed that there is no non-public information with respect to China XLX and/or the China XLX Group made available to ING that would, or would reasonably be likely to, have an adverse impact on the price of the China XLX Shares;
6. We have assumed that you are complying in all material respects with all relevant applicable laws and regulations and promptly disclose to the extent required under applicable laws and regulations any price sensitive information to the public;
7. We have assumed that all consents and approvals of regulatory bodies, shareholders, exchanges, creditors and others which are required under any applicable law, regulation, agreement or instrument to consummate the Transactions will be obtained with no detriment in any aspect which may be material for our analysis. Subsequent developments may affect this Opinion and the assumptions made in its preparation; and
8. We have assumed that the Transactions will not constitute an event of default or a potential event of default under any of your debt obligations and that, following completion of the Transactions, you will continue to be able to meet all of your debts and other obligations as they fall due.

We have been engaged by China XLX to act as IFA for the purpose of producing this Opinion and recommendation and we will receive a fee from China XLX for our services. This fee is not contingent on the consummation of the Transactions.

APPENDIX I: LETTER FROM IFA TO THE INDEPENDENT BOARD COMMITTEE

In the ordinary course of business, ING (of which we, the Corporate Finance Division of ING Bank N.V. forms part) and its affiliates may actively trade your debt and equity securities for its own account and for the accounts of clients and accordingly, may at any time hold a long or short position in such securities.

This Opinion and recommendation is supplied to you, the Independent Board Committee, on the understanding that it has been produced solely for your benefit as part of the information you require in your contemplation of the Transactions. We do not otherwise express any views on the Transactions, or its effect on China XLX's business or any part of it.

This Opinion and recommendation exclusively focuses on the fairness and reasonableness to the Independent Board Committee and does not address any other issues such as the underlying business decision to recommend the Transactions or its commercial merits, which are matters solely for the management. Subsequent developments in the aforementioned conditions may affect this Opinion and recommendation and the assumptions made in preparing this Opinion.

Independent Shareholders will be notified by the Directors of any material changes and our Opinion (where it stays the same or being updated) as soon as possible if such material change arises after the despatch of the Circular during the Offer Period⁷.

This Opinion is confidential and may not be quoted or referred to, in whole or in part, in any registration statement, prospectus or proxy statement, or in any other document used in connection with the Transactions, nor shall this Opinion be used for any other purposes, without our prior written consent.

This Opinion is issued in the English language and reliance may only be placed on this Opinion as issued in the English language. If any translations of this Opinion are delivered they are provided only for ease of reference, have no legal effect and ING makes no representation as to (and accepts no liability in respect of) the accuracy of any such translation.

We do not accept any responsibility for the contents of this Opinion and recommendation to any party (including Shareholders, creditors, regulators, exchanges and other interested parties) other than China XLX. In addition, our liability to China XLX will be limited and in particular, we shall not have any direct or indirect liability of any kind to China XLX, or to any of China XLX's Directors, employees, shareholders or creditors, arising out of or in connection with the Engagement, except for losses, claims, damages or liabilities incurred by China XLX to the extent they are found in a final judgment by a court to have resulted from a deliberate omission or gross negligence on the part of us or our affiliates and sub-contractors.

This Opinion, the recommendation and ING's contractual and non-contractual obligations to China XLX hereunder shall be governed by and construed in accordance with Singapore law and any claims or disputes arising out of, or in connection with, this letter shall be subject to the exclusive jurisdiction of the Singapore courts.

3. TERMS AND CONDITIONS OF THE DELISTING AND THE EXIT OFFER

The full text of information on the terms and conditions of the Exit Offer has been set out in section 3 of the Circular. In particular, we note:

- (i) the Delisting is not a privatisation exercise and following the completion of the Delisting, the primary listing status of China XLX on the Main Board of SEHK will be preserved;

⁷ The period from the Possible Offer Announcement Date and ending on the date the Exit Offer is declared to have closed or lapsed

APPENDIX I: LETTER FROM IFA TO THE INDEPENDNT BOARD COMMITTEE

- (ii) the Offeror is making the Exit Offer in order to facilitate the Delisting and accordingly, the Exit Offer is conditional upon the Delisting Resolution being approved by Shareholders at the EGM. Shareholders may vote all or any number of China XLX Shares held by them for or against the Delisting Resolution, regardless of whether or not they wish to accept the Exit Offer;
- (iii) the Exit Offer will be made at S\$0.40 in cash ("**Exit Offer Price**") for each Offer Share;
- (iv) the Offeror does not intend to increase the Exit Offer Price;
- (v) the actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per China XLX Share of the final dividend of RMB0.06 per China XLX Share in respect of the financial year ended 31 December 2013 which was approved by Shareholders at the China XLX's annual general meeting held on 24 April 2014 and was paid on 26 May 2014 ("**2013 Final Dividend**");
- (vi) the Exit Offer and the Delisting are subject to satisfaction of the condition that i) the Delisting Resolution being approved by a majority of at least 75% of the total number of issued China XLX Shares (excluding treasury shares⁸) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM (the Directors and controlling shareholders of China XLX need not abstain from voting on the Delisting Resolution); and ii) the Delisting Resolution not being voted against by 10% or more of the total number of issued China XLX Shares (excluding treasury shares) held by Shareholders present and voting, on a poll, either in person or by proxy at the EGM;
- (vii) in respect of valid acceptances of the Exit Offer by Shareholders whose China XLX Shares are registered on the HK Branch Register, while the consideration payable for valid acceptances will be determined based on the Exit Offer Price in Singapore dollars, the actual payment for valid acceptances by such Shareholders will be made in Hong Kong dollars ("**HKD**") using i) such exchange rate of HKD for the Exit Offer Price at the time of payment as may be available to and confirmed by the Offeror's processing agent for the Exit Offer in Hong Kong as the prevailing exchange rate; and ii) HKD0.0774, being the actual Hong Kong dollar amount of the 2013 Final Dividend; and
- (viii) the consideration will be settled i) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received on or before the date on which the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, as soon as possible but in any event within the earlier of seven (7) Business Days⁹ and ten (10) calendar days of the date on which the Exit Offer becomes unconditional; or ii) in respect of acceptances of the Exit Offer which are complete and valid in all respects and are received after the Exit Offer becomes or is declared unconditional in all respects in accordance with its terms, but on or before 4 August 2014 being the last day for the lodgement of acceptances of the Exit Offer and the 14th day after the date of announcement of satisfaction of the condition as set out in (vi) above ("**Closing Date**"), as soon as possible but in any event within the earlier of seven (7) Business Days and ten (10) calendar days of the date of such receipt.

⁸ As at the Latest Practicable Date, China XLX does not have any treasury shares

⁹ A day other than Saturday, Sunday or a public holiday on which commercial banks in Hong Kong and/or Singapore, or the SEHK and/or the SGX-ST (as the case may be) are open for the transaction of business

APPENDIX I: LETTER FROM IFA TO THE INDEPENDENT BOARD COMMITTEE

4. INFORMATION ON CHINA XLX

China XLX was incorporated in Singapore on 17 July 2006 and is dual primary listed on the Official List of the Mainboard of the SGX-ST and on the Main Board of the SEHK. China XLX Group is mainly engaged in the manufacturing and sale of urea, compound fertilisers and methanol in the People's Republic of China ("PRC"). The full text of information on China XLX has been set out in section 6 of the Circular.

5. RATIONALE OF THE DELISTING AND THE EXIT OFFER

The full text of information on the rationale for the Delisting and the Exit Offer has been set out in section 8 of the Circular. The commentary below should be read in conjunction with, and interpreted, in the full context of section 8 of the Circular.

In particular, we note the following comments made by the Offeror and China XLX:

- (i) there is currently limited liquidity in the trading of the China XLX Shares and having a single listing will consolidate the trading of China XLX Shares and is expected to lead to improved liquidity and enhanced Shareholder value;
- (ii) SEHK is geographically of closer proximity to the principal place of business of the China XLX Group's operations which are mainly undertaken in the PRC and as such, the Offeror and China XLX regard SEHK as the preferred platform for future fund raising activities (if any) as investors on the SEHK are likely to have greater familiarity with the business of the China XLX Group;
- (iii) reduction in compliance costs and complexity involved in China XLX having to comply with the listing rules and regulations of two stock exchanges; and
- (iv) reduction in management resources incurred and constraints in operational flexibility.

We further note that the Offeror is not making the Exit Offer with an intention to consolidate control in or privatise China XLX. The Exit Offer is being made in connection with the Delisting pursuant to Rules 1307 and 1309 of the Listing Manual. The Offeror intends to preserve the listing status of China XLX on the Main Board of the SEHK following the completion of the Delisting.

6. EVALUATION OF THE EXIT OFFER

In the course of our evaluation of the Exit Offer, we have given due consideration to, *inter alia*, the following factors:

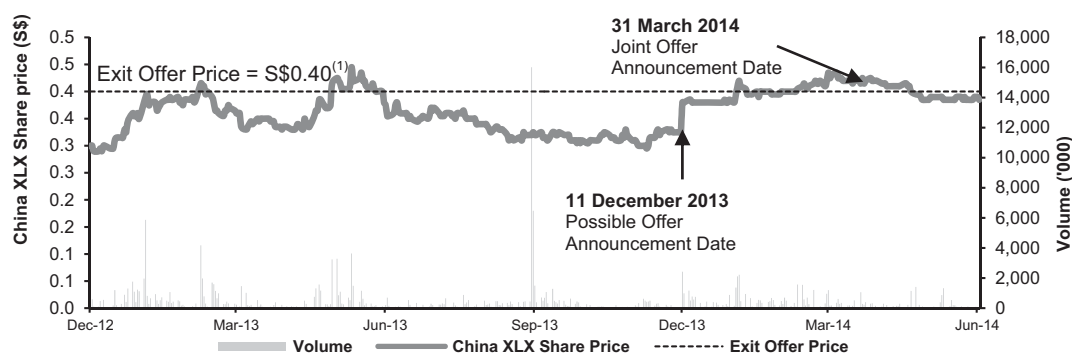
- (i) market performance of China XLX Shares;
- (ii) historical financial performance and position of China XLX;
- (iii) future prospects of the China XLX Group;
- (iv) valuation analysis of selected listed companies comparable to China XLX;
- (v) delisting of selected companies listed on the SGX-ST;
- (vi) recent voluntary general offers ("VGO") of selected companies listed on the SEHK; and
- (vii) other relevant considerations.

6.1 Market performance of China XLX Shares

6.1.1 SGX-ST

We set out below in Chart (a) the daily market closing prices and trading volume of China XLX Shares on the SGX-ST to illustrate the market performance of China XLX Shares against the Exit Offer Price for the period commencing 12 December 2012 to the Latest Practicable Date.

Chart (a): Market price and trading volume of China XLX Shares on the SGX-ST From 12 December 2012 to the Latest Practicable Date



Source: Bloomberg

Note:

- (1) The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per China XLX Share of the 2013 Final Dividend.

From the above market price and trading volume information, we set out the trading statistics of China XLX Shares in Tables (1) and (2) below for the following periods:

- (a) the 12-month period from 12 December 2012 to 6 December 2013 (the “**Pre-Possible Offer Announcement Period**”), being the last full trading day for China XLX Shares prior to the Possible Offer Announcement Date;
- (b) the period from 12 December 2013 to 31 March 2014, being the last full trading day for China XLX Shares prior to the Joint Offer Announcement Date (the “**Pre-Joint Offer Announcement Period**”); and
- (c) the period from 1 April 2014 to the Latest Practicable Date (the “**Post-Joint Offer Announcement Period**”).

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Table (1): China XLX Shares market prices on the SGX-ST

	China XLX Shares market price (S\$)	Premium/ (discount) implied by the Exit Offer Price
Pre-Possible Offer Announcement Period		
Highest closing price (22 May 2013)	0.445	(10.1)%
Lowest closing price ⁽¹⁾	0.290	37.9%
Closing price prior to the Possible Offer Announcement Date	0.325	23.1%
5-day VWAP ⁽²⁾ prior to the Possible Offer Announcement Date	0.329	21.5%
1-month VWAP prior to the Possible Offer Announcement Date	0.310	28.9%
3-month VWAP prior to the Possible Offer Announcement Date	0.321	24.8%
6-month VWAP prior to the Possible Offer Announcement Date	0.327	22.2%
12-month VWAP prior to the Possible Offer Announcement Date	0.359	11.4%
Pre-Joint Offer Announcement Period		
Highest closing price (12 March 2014)	0.435	(8.0)%
Lowest closing price ⁽³⁾	0.380	5.3%
VWAP	0.400	0.0%
Closing price on the Joint Offer Announcement Date	0.420	(4.8)%
Post-Joint Offer Announcement Period		
Highest closing price (2 and 7 April 2014)	0.425	(5.9)%
Lowest closing price ⁽⁴⁾	0.385	3.9%
VWAP	0.402	(0.6)%
Closing price on the Latest Practicable Date	0.385	3.9%

Sources: Bloomberg and ING's computation

Notes:

- (1) Lowest price of S\$0.29 in the Pre-Possible Offer Announcement Period occurred on 14, 17 and 19 December 2012.
- (2) VWAP refers to volume-weighted average price.
- (3) Lowest price of S\$0.38 in the Pre-Joint Offer Announcement Period occurred on 12 and 13 December 2013, between 18 December 2013 to 6 January 2014, 8 and 9 January 2014 and 13 January 2014.
- (4) Lowest price of S\$0.385 in the Post-Joint Offer Announcement Period occurred on 9, 22, 26 to 29 May 2014, 3, 5, 6 and 13 June 2014.

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Based on the above statistics, we note that:

- (i) during the Pre-Possible Offer Announcement Period, the China XLX Shares closed within a range of S\$0.290 to S\$0.445;
- (ii) the Exit Offer Price represents a premium of approximately 37.9% over China XLX Shares' lowest closing price of S\$0.290 and a discount of approximately 10.1% to the highest closing price of S\$0.445 during the Pre-Possible Offer Announcement Period;
- (iii) the Exit Offer Price represents a premium of approximately 23.1% over China XLX Shares' closing price of S\$0.325 on the last trading day prior to the Possible Offer Announcement Date;
- (iv) the Exit Offer Price represents a premium of approximately 11.4% to 28.9% over the 5-day, 1-month, 3-month, 6-month and 12-month China XLX Share VWAPs of S\$0.329, S\$0.310, S\$0.321, S\$0.327 and S\$0.359 respectively, preceding the Possible Offer Announcement Date;
- (v) during the Pre-Joint Offer Announcement Period, the China XLX Shares closed within a range of S\$0.380 to S\$0.435;
- (vi) the Exit Offer Price represents a premium of approximately 5.3% over China XLX Shares' lowest closing price of S\$0.380 and a discount of approximately 8.0% to the highest closing price of S\$0.435 during the Pre-Joint Offer Announcement Period;
- (vii) the Exit Offer Price represents a discount of approximately 4.8% to China XLX Shares' closing price of S\$0.420 on the last trading day prior to the Joint Offer Announcement Date;
- (viii) the Exit Offer Price is the same as the China XLX Share VWAP of S\$0.400 during the Pre-Joint Offer Announcement Period;
- (ix) during the Post-Joint Offer Announcement Period, the China XLX Shares closed between a low of S\$0.385 and a high of S\$0.425, with a VWAP of S\$0.402. The Exit Offer Price represents a premium of approximately 3.9%, a discount of approximately 5.9% and a discount of approximately 0.6% to such low, high and VWAP prices of the China XLX Shares, respectively; and
- (x) the Exit Offer Price represents a discount of approximately 3.9% over the closing price of China XLX Shares of S\$0.385 on the Latest Practicable Date.

We note, however, that there is no assurance that the share price of China XLX will remain at current levels if the Exit Offer lapses or does not become unconditional. We further wish to highlight that our analysis of historical share price performance is not indicative of future price levels, which will be governed by factors beyond the scope of our review.

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Table (2): China XLX Shares trading volume on the SGX-ST

	Average daily trading volume on the SGX-ST ⁽¹⁾ (million)	As a percentage of total number of China XLX Shares ⁽²⁾	As a percentage of public float ⁽³⁾
Pre-Possible Offer Announcement Period			
5-day prior to the Possible Offer Announcement Date	0.122	0.012%	0.035%
1-month prior to the Possible Offer Announcement Date	0.227	0.023%	0.065%
3-month prior to the Possible Offer Announcement Date	0.656	0.066%	0.187%
6-month prior to the Possible Offer Announcement Date	0.456	0.046%	0.130%
12-month prior to the Possible Offer Announcement Date	0.547	0.055%	0.156%
Pre-Joint Offer Announcement Period	0.509	0.051%	0.145%
Post-Joint Offer Announcement Period	0.267	0.027%	0.076%

Sources: *Bloomberg and ING's computation*

Notes:

- (1) *Number of China XLX Shares traded on the SGX-ST.*
- (2) *Based on 1,000 million China XLX Shares in issue as at the Latest Practicable Date.*
- (3) *Based on approximately 350.5 million China XLX Shares considered as public float as at the Latest Practicable Date, as extracted from Bloomberg.*

Based on the above statistics, we note that:

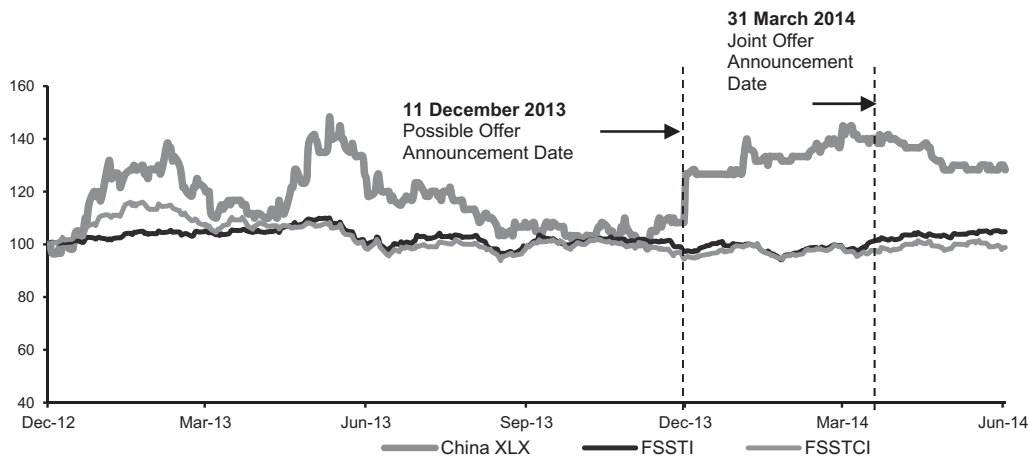
- (i) the average daily trading volume of China XLX Shares on the SGX-ST during the 5-day, 1-month, 3-month and 6-month periods prior to the Possible Offer Announcement Date ranges from 0.012% to 0.066% of the total number of China XLX Shares in issue;
- (ii) the average daily trading volume during the 12-month period prior to the Possible Offer Announcement Date was 0.547 million China XLX Shares, representing approximately 0.055% of the total number of China XLX Shares in issue on the SGX-ST; and
- (iii) the average daily trading volume during the Pre-Joint Offer Announcement Period was 0.509 million China XLX Shares, representing approximately 0.051% of the total number of China XLX Shares in issue. This decreased to 0.267 million China XLX Shares, or 0.027% of China XLX Shares in issue as at the Latest Practicable Date, during the Post-Joint Offer Announcement Period.

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Comparison against the FTSE Straits Times Index (“FSSTI”) and FTSE Straits Times China Index (“FSSTCI”)

For illustrative purposes only, we set out in Chart (b) below, the relative share price performance of China XLX Shares on the SGX-ST against the FSSTI and FSSTCI index, based on the daily closing market prices for the period from 12 December 2012 to the Latest Practicable Date. The FSSTI is the main index for the SGX-ST whilst the FSSTCI tracks the performance of China-based companies listed on the SGX-ST. We believe that the FSSTI and the FSSTCI provide a representative indication of the general market sentiment on the SGX-ST and the market’s views of companies with operations primarily located in China, respectively. The comparison against FSSTI and FSSTCI represent meaningful benchmarks for the performance of China XLX Shares on the SGX-ST:

**Chart (b): Performance of China XLX Shares against the FSSTI and FSSTCI
(rebased to 100 at start of the period)
From 12 December 2012 to the Latest Practicable Date**



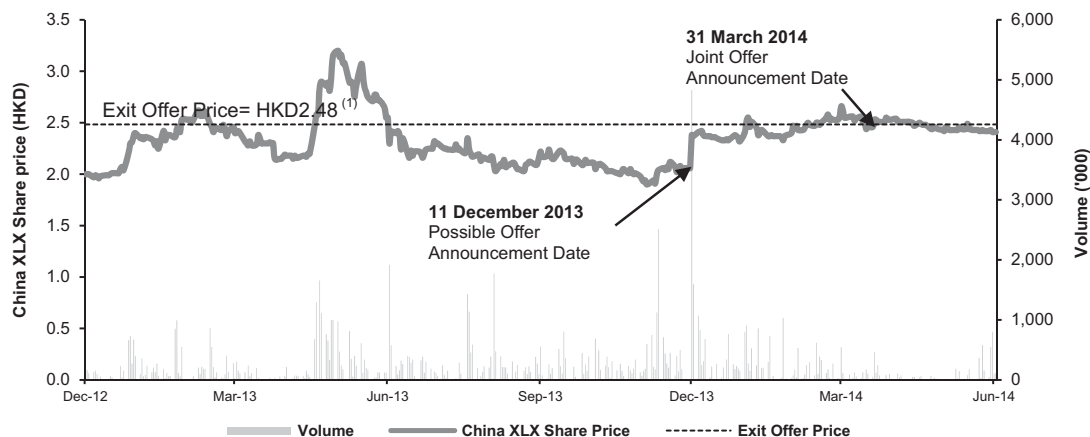
Source: Bloomberg

We note that during the Pre-Possible Offer Announcement Period the China XLX Shares outperformed the FSSTI and FSSTCI between 27 December 2012 to 14 November 2013. Between the Possible Offer Announcement Date and the Latest Practicable Date, we note that the price of the China XLX Shares has increased by approximately 18.5% as compared to an increase of approximately 7.6% and 4.7% by the FSSTI and FSSTCI respectively over the same period.

6.1.2 SEHK

To illustrate the market performance of China XLX Shares against the Exit Offer Price on the SEHK, we set out below in Chart (c) the daily market closing prices and trading volume of China XLX Shares and in Tables (3) and (4) the trading statistics on the SEHK for the period commencing 12 December 2012 to the Latest Practicable Date.

Chart (c): Market price and trading volume of China XLX Shares on the SEHK From 12 December 2012 to the Latest Practicable Date



Source: Bloomberg

Note:

(1) Based on the S\$:HKD exchange rate of S\$1.00:HKD6.2075 as at the Latest Practicable Date.

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Table (3): China XLX Shares market prices on the SEHK

	China XLX Shares market price (HKD)	Premium / (discount) implied by the Exit Offer Price
Pre-Possible Offer Announcement Period		
Highest closing price (13 May 2013)	3.200	(22.5)%
Lowest closing price (15 November 2013)	1.900	30.5%
Closing price prior to the Possible Offer Announcement Date	2.060	20.3%
5-day VWAP prior to the Possible Offer Announcement Date	2.056	20.6%
1-month VWAP prior to the Possible Offer Announcement Date	2.019	22.8%
3-month VWAP prior to the Possible Offer Announcement Date	2.063	20.2%
6-month VWAP prior to the Possible offer Announcement Date	2.137	16.0%
12-month VWAP prior to the Possible Offer Announcement Date	2.340	6.0%
Pre-Joint Offer Announcement Period		
Highest closing price (12 March 2014)	2.660	(6.8)%
Lowest closing price (10 January 2014)	2.320	6.9%
VWAP	2.399	3.3%
Closing price prior to the Joint Offer Announcement Date	2.460	0.8%
Post-Joint Offer Announcement Period		
Highest closing price (8 April 2014)	2.550	(2.6)%
Lowest closing price (11, 12 and 13 June 2014)	2.410	3.0%
VWAP	2.455	1.1%
Closing price on the Latest Practicable Date	2.410	3.0%

Sources: Bloomberg and ING's computation

Based on the above statistics, we note that:

- (i) the China XLX Shares closed within a range of HKD1.900 to HKD3.200 during the Pre-Possible Offer Announcement Period;
- (ii) the Exit Offer Price represents a premium of approximately 30.5% over China XLX Shares' lowest closing price of HKD1.900 and a discount of approximately 22.5% to the highest closing price of HKD3.200 during the Pre-Possible Offer Announcement Period;
- (iii) the Exit Offer Price represents a premium of approximately 20.3% over China XLX Shares' closing price of HKD2.060 on the last trading day prior to the Possible Offer Announcement Date;
- (iv) the Exit Offer Price represents a premium of approximately 6.0% to 22.8% over the 5-day, 1-month, 3-month, 6-month and 12-month China XLX Share VWAPs of HKD2.056, HKD2.019, HKD2.063, HKD2.137 and HKD2.340 respectively, preceding the Possible Offer Announcement Date;
- (v) the China XLX Shares closed within a range of HKD2.320 to HKD2.660 during the Pre-Joint Offer Announcement Period;
- (vi) the Exit Offer Price represents a premium of approximately 6.9% over China XLX Shares' lowest closing price of HKD2.320 and a discount of approximately 6.8% to the highest closing price of HKD2.660 during the Pre-Joint Offer Announcement Period;

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- (vii) the Exit Offer Price represents a premium of approximately 0.8% over China XLX Shares' closing price of HKD2.460 on the last trading day prior to the Joint Offer Announcement Date;
- (viii) the Exit Offer Price represents a premium of approximately 3.3% over the China XLX Share VWAP of HKD2.399 during the Pre-Joint Offer Announcement Period;
- (ix) during the Post-Joint Offer Announcement Period, the China XLX Shares closed between a low of HKD2.410 and a high of HKD2.550, with a VWAP of HKD2.455. The Exit Offer Price represents a premium of approximately 3.0%, a discount of approximately 2.6% and a premium of approximately 1.1% over such low, high and VWAP prices of the China XLX Shares, respectively; and
- (x) the Exit Offer Price represents a premium of approximately 3.0% over the closing price of Chin XLX Shares of HKD2.410 on the Latest Practicable Date.

Table (4): China XLX Shares trading volume on the SEHK

	Average daily trading volume on the SEHK ⁽¹⁾ (million)	As a percentage of total number of China XLX Shares ⁽²⁾	As a percentage of public float ⁽³⁾
Pre-Possible Offer Announcement Period			
5-day prior to the Possible Offer Announcement Date	0.260	0.026%	0.074%
1-month prior to the Possible Offer Announcement Date	0.447	0.045%	0.128%
3-month prior to the Possible Offer Announcement Date	0.319	0.032%	0.091%
6-month prior to the Possible Offer Announcement Date	0.308	0.031%	0.088%
12-month prior to the Possible Offer Announcement Date	0.284	0.028%	0.081%
Pre-Joint Offer Announcement Period	0.335	0.033%	0.096%
Post-Joint Offer Announcement Period	0.121	0.012%	0.035%

Sources: Bloomberg and ING's computation

Notes:

- (1) Number of China XLX Shares traded on the SEHK.
- (2) Based on 1,000 million China XLX Shares in issue as at the Latest Practicable Date.
- (3) Based on approximately 350.5 million China XLX Shares considered as public float as at the Latest Practicable Date, as extracted from Bloomberg.

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Based on the above statistics, we note that:

- (i) the average daily trading volume of China XLX Shares on the SEHK during the 5-day, 1-month, 3-month and 6-month periods prior to the Possible Offer Announcement Date ranges from 0.026% to 0.045% of the total number of China XLX Shares in issue;
- (ii) the average daily trading volume during the 12-month period prior to the Possible Offer Announcement Date was 0.284 million China XLX Shares, representing approximately 0.028% of the total number of China XLX Shares in issue on the SEHK; and
- (iii) the average daily trading volume during the Pre-Joint Offer Announcement Period was 0.335 million China XLX Shares, representing approximately 0.033% of the total number of China XLX Shares in issue. This decreased to 0.121 million China XLX Shares, or 0.012% of China XLX Shares in issue as at the Latest Practicable Date, during the Post-Joint Offer Announcement Period.

We note that the average daily trading volume of China XLX Shares on the SEHK during the Pre-Joint Offer Announcement Period and Post-Joint Offer Announcement Period amount to 0.335 million China XLX Shares and 0.121 million China XLX Shares, representing approximately 0.033% and 0.012% of the total number of China XLX Shares in issue respectively. This is lower than the average daily trading volume of China XLX Shares on the SGX-ST of 0.509 million China XLX Shares and 0.267 million China XLX Shares, representing approximately 0.051% and 0.027% of the total number of China XLX Shares during the Pre-Joint Offer Announcement Period and Post-Joint Offer Announcement Period respectively. This may be attributed to the fact that China XLX was first listed on the SGX-ST on 21 June 2007 and listed in Hong Kong on 8 December 2009 by way of introduction without the issuance of any new shares.

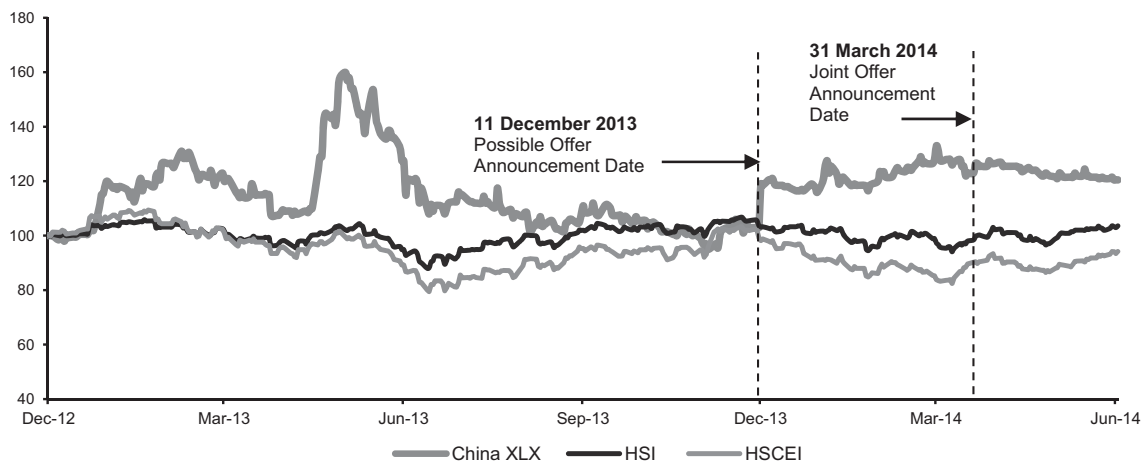
We note that in similar transactions in respect of the delisting of China Animal Healthcare Ltd. and Sound Global Ltd. from SGX-ST, the daily trading volume of the companies on SEHK have increased after the delisting as the share trading is concentrated in one market. **Although the consolidation of trading of China XLX Shares in one market may increase the trading liquidity, there is, however, no assurance that in the event the Delisting is completed, and after taking into account the tender of China XLX Shares by Shareholders pursuant to the Exit Offer (if any) and the transfer of China XLX Shares to the HK Branch Register, the trading liquidity of China XLX Shares on the SEHK will increase. In the event that the trading liquidity of China XLX on the SEHK does not increase, Shareholders may face difficulties in disposing large amounts of China XLX Shares.**

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Comparison against the Hang Seng Index (“HSI”) and the Hang Seng China Enterprise Index (“HSCEI”)

For illustrative purposes only, we set out in Chart (d) below, the relative share price performance of China XLX Shares on the SEHK against the HSI and HSCEI index, based on the daily closing market prices for the period from 12 December 2012 to the Latest Practicable Date. The HSI is the main index for the SEHK whilst the HSCEI tracks the performance of mainland China enterprises with H-share listings on the SEHK. We believe that the HSI and the HSCEI provide a representative indication of the general market sentiment on the SEHK and the market’s views of companies with operations primarily located in China, respectively. The comparison against the HSI and the HSCEI represent meaningful benchmarks for the performance of China XLX Shares on the SEHK.

**Chart (d): Performance of China XLX Shares against the HSI and HSCEI
(rebased to 100 at start of the period)
From 12 December 2012 to the Latest Practicable Date**



Source: Bloomberg

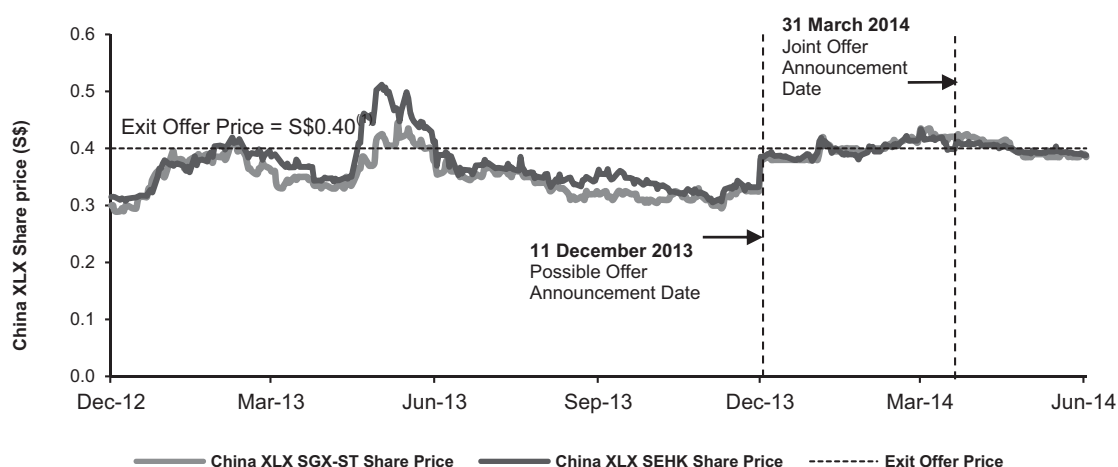
We note that during the Pre-Possible Offer Announcement Period, the China XLX Shares outperformed the HSI and HSCEI between 7 January 2013 to 14 October 2013. Between the Possible Offer Announcement Date and the Latest Practicable Date, we note that the price of the China XLX Shares has increased by approximately 17.0% as compared to a decrease of approximately 0.1% and 5.0% by the HSI and HSCEI respectively over the same period.

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6.1.3 SGX-ST vis-à-vis SEHK

China XLX Shares are traded in Singapore dollars on the SGX-ST and in Hong Kong dollars on the SEHK. For illustrative purposes only, we set out in Chart (e) below, the share price performance of China XLX Shares on the SGX-ST based on the daily closing market prices on the SGX-ST (“**China XLX SGX-ST Share Price**”) and the China XLX Shares on the SEHK based on the daily closing market prices on the SEHK and translated into S\$ using the daily S\$:HKD exchange rates (“**China XLX SEHK Share Price**”) for the period from 12 December 2012 to the Latest Practicable Date.

Chart (e): China XLX SGX-ST Share Price and China XLX SEHK Share Price From 12 December 2012 to the Latest Practicable Date



Source: Bloomberg

Note:

- (1) The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per China XLX Share of the 2013 Final Dividend.

We note that during the Pre-Possible Offer Announcement Period, the China XLX SGX-ST Share Price and the China XLX SEHK Share Price generally traded in line with each other with the exception of periods between 29 April 2013 and 21 June 2013 and 26 August 2013 and 21 October 2013. Similarly, between the Possible Offer Announcement Date and the Latest Practicable Date, the China XLX SGX-ST Share Price and the China XLX SEHK Share Price generally traded in line with each other, after accounting for movements in exchange rates.

We also note that based on the S\$:HKD exchange rates of S\$1.00:HKD6.1405 to S\$1.00:HKD6.2194 during the Post-Joint Offer Announcement Period, the Exit Offer Price ranges from HKD2.456 to HKD2.488 with an average of HKD2.475 during the Post-Joint Offer Announcement Period and HKD2.483 as at the Latest Practicable Date.

6.2 Historical financial performance and position of China XLX

The full text of information on the key financial information of China XLX Group has been set out in Appendix IV, V and VI of the Circular.

We set out in Table (5) summarised extracts from these sections of the Circular as well as key balance sheet information from China XLX’s annual report.

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Table (5): Key historical financial information⁽¹⁾

Financial year ended 31 December	2011	2012	2013	3M2014 ⁽²⁾
Selected income statement items				
Revenue (RMB'000)	3,688,233	3,945,584	3,968,946	1,269,632
Profit before tax (RMB'000)	224,845	372,021	311,623	57,947
Profit for the year/period attributable to Shareholders (RMB'000)	180,508	311,121	264,052	48,209
Earnings per share (RMB cents)	17.96	26.46	22.45	4.10
Selected balance sheet statement items				
Total assets (RMB'000)	4,187,695	5,117,217	7,302,884	7,519,465
Total equity (RMB'000)	2,061,677	2,328,432	2,513,851	2,561,155
Gearing (times)	0.5	0.7	1.1	1.3
Net asset value per China XLX Share (S\$)	–	–	0.52	0.52
Net tangible asset per China XLX Share (S\$)	–	–	0.48	0.47

Notes:

(1) All key historical financial information has been sourced from China XLX's annual reports (2011, 2012, and 2013).

(2) Three-month financial period ended 31 March 2014 figures are based on unaudited consolidated financial statements provided by China XLX.

We note that the Exit Offer Price represents a discount of approximately 22.8% and 15.6% over the unaudited consolidated net asset value and unaudited consolidated net tangible asset value respectively, per China XLX Share of S\$0.52 and S\$0.47 as at 31 March 2014 (assuming an exchange rate of S\$1.00:RMB4.945).

The net asset value represents the minimum value attributable to the Shareholders assuming that China XLX's assets can be liquidated and the liabilities of China XLX can be settled at their book value. However, we would like to highlight that the realisation of the value of the assets of China XLX may take significant effort and time. Additionally, the realised value may differ significantly from the current estimates due to changed circumstances prevailing at the time of such realisation.

6.3 Future prospects of the China XLX Group

China XLX derives its revenue primarily from the production and sale of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution. The Offeror has confirmed that it has no intention to (a) propose or introduce any major changes to the businesses of the China XLX Group, (b) re-deploy the fixed assets of the China XLX Group, or (c) discontinue the employment of the employees of the China XLX Group, in each case, other than in the ordinary course of business. In assessing the future prospects of the China XLX, we have taken into consideration solely its existing businesses.

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Last year, the urea industry remained sluggish. China XLX mentioned in its 2013 annual report that the average selling price for urea decreased by 14%. China XLX Group also saw the selling price of compound fertiliser decline, by 11% over the course of 2013. Conversely, methanol prices increased over the period, driven by increased downstream demand. China XLX managed to mitigate some of the negative impact of decreased sale prices for urea and compound fertiliser through vigorous cost control.

In the first quarterly results announcement, China XLX stated that it expects the selling prices of urea to remain at a low level due to overcapacity in the industry. This may result in depressed margins in the urea business.

As stated in the China XLX 2013 annual report, the China XLX Group's strategy is to maintain cost-effectiveness and high profitability. Centred on the brands position as a "high efficiency fertiliser in China," the China XLX Group stressed differentiating itself from the competition based on strategies of product structure, technological content and marketing services, with the aim of becoming the most respected enterprise in the PRC fertiliser industry. China XLX has fully concentrated its marketing efforts, including a television campaign and mainstream media, around this position. The China XLX Group states that it plans to develop by continuing to grow the core fertiliser business, exploring upstream for coal resources and expanding downstream for product chain, with a view to embarking on a diversified development of coal chemicals. The "five year plan" and company's vision for long term development incorporates relying upon resources in Xinxiang and Xinjiang, capitalising on strengths in human resources and capital markets, consolidating the management base, enhancing creativity in technologies, adjusting structures of raw materials and products and improving core competitiveness.

The first mainline of development is fertiliser and its processing. China XLX plans to differentiate by launching a series of urea products, such as polyaspartic-based urea, slow release chemical fertiliser, ordinary urea granules, large urea granules and medium granules. Various formulas are used to develop urea based compounds and form several advantageous product mixes such as slow release compound fertiliser and BB fertiliser. Nitril compound fertiliser has also been added to product lines. China XLX Group is coordinating with the Chinese Academy of Sciences and other research institutions to speed up the innovation of new fertilisers.

The second mainline of development is coal chemical and its diversification. The focus is on clean coal gasification to expand coal based chemical product and develop circular economy projects, including CO₂, LNG, and a furfuryl alcohol project using H₂, CO and CO₂.

The third mainline of development is to develop materials, organic chemical and otherwise, with low supply and high added value.

China XLX Group expects to benefit from the increased support the Chinese Central Government is showing towards farmers. The No 1 Document issued by the state council of the PRC, which focuses on "Agriculture, Farmers and Rural Areas," stressed improving agricultural support and protection as a priority for 2014, together with facilitating rural development to increase farmers' income. The funding for this section reached a historical high in 2013. Furthermore, subsidies for the fertiliser industry are due to continue for the time being, together with reductions in value added tax, electricity and rail costs.

Based on the above, we concur with management's view that China XLX shall benefit from the Chinese government's on-going support for agriculture and that the China XLX Group should achieve its growth targets through further development of its products and brand identity. However, we note that continued decreases in the price of urea and compound fertiliser could have a negative impact on the margins in these business lines.

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6.4 Valuation analysis of selected listed companies comparable to China XLX

We have selected a list of comparable companies to China XLX for our comparison based on the following criteria: i) companies that are listed on the stock exchanges of either Singapore or Hong Kong; ii) have a market capitalisation greater than S\$100 million as at the Latest Practicable Date taking into account that China XLX's valuation as implied by the Exit Offer Price is S\$400 million; iii) have a substantial proportion of their revenue generated from specialty chemical and/or chemical fertiliser manufacturing; and iv) recorded positive profit after tax in 2013. These selection criteria are adopted for the purposes of comparing market views of similar companies listed on the SGX-ST and SEHK with business operations in the specialty chemicals industry primarily in the PRC. The selection criteria of a market capitalisation of greater than S\$100 million are to eliminate significantly smaller companies (which may have different operation parameters) for comparison whilst providing sufficient samples for comparison.

We set out in Table (6) below a brief description of the exhaustive list of companies which we believe satisfy the above selection criteria (the “**Comparable Companies**”) and their respective market capitalisation as at the Latest Practicable Date.

Table (6): Description of the Comparable Companies

Name	Business description	Market capitalisation ⁽¹⁾ (S\$ million)
Listed on the SGX-ST		
Sunvic Chemical Holdings Limited (“ Sunvic ”)	Sunvic is one of the pioneer and leading manufacturers of intermediate chemical products, such as acrylic acid, acrylate esters, as well as PMIDA and glyphosate. These are fundamental chemicals that are widely used in the production of many industrial, consumer and agricultural products such as coatings, adhesives, diapers, textiles, detergents, water treatment materials and herbicide. Sunvic is the largest producer of acrylic acid in the PRC and one of the top five producers in the world.	299
Jiutian Chemical Group Limited (“ Jiutian ”)	Jiutian, located in Henan, is engaged in the manufacture and production of dimethylformamide, methylamine and also in the processing and sale of consumable carbon dioxide and oxygen.	127
China Sunsine Chemical Holdings Ltd.(“ Sunsine ”)	Sunsine is a leading specialty chemical producer and the largest producer of rubber accelerators in the PRC and the world. Sunsine serves all the global top 10 tyre manufacturers, and also the large tyre manufacturers in the PRC. Its products are sold under the “Sunsine” brand, and have production facilities located in Shanxian, Weifang and Dingtao in Shandong province.	110

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Name	Business description	Market capitalisation ⁽¹⁾ (S\$ million)
Listed on the SEHK China Bluechemical Ltd (“ China Bluechemical ”)	China BlueChemical is a large-scale and modernised enterprise engaging in the development, production and sales of mineral fertilisers and chemical products. Headquartered in Beijing, China BlueChemical’s production facilities are located in the Hainan province, the Inner Mongolia Autonomous Region and the Hubei province. It is a subsidiary of China National Offshore Oil Corporation, and produces the largest volume of urea and methanol in China. Total designed annual production capacity amounts to 1.8m tonnes of urea, 0.5m tonnes of phosphate fertilisers and 1.6m tonnes of methanol.	3,157
Century Sunshine Group Holdings Limited (“ Century Sunshine ”)	Century Sunshine specialises in organic fertiliser in China. The group is vertically integrated and covers magnesium and ecological fertilisers. Century Sunshine has patented technologies on rare earth magnesium alloy productions. The products are tailored to fertilise land for tea, fruits, vegetables, peanuts, bamboos, eucalypt trees and crop cultivation. Major production sites are located in the Jiangsu and Jianzi provinces. The group has a total annual capacity of 0.5m tonnes for both organic and compound fertilisers.	511
China XLX		<hr style="width: 100%;"/> 400 ⁽²⁾ <hr style="width: 100%;"/>

Sources: Bloomberg, China XLX and Comparable Companies’ annual reports and websites

Notes:

(1) Market capitalisation as at the Latest Practicable Date.

(2) The market capitalisation of China XLX is computed based on the Exit Offer Price.

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While such Comparable Companies analysis can reflect market sentiment towards the sector and provide guidance on the valuation, we note that the analysis does not take into account differences in accounting policies and standards as well as the operating environments, business models, and/or tax treatments, nor does it take into account possible unique characteristic(s) of the different companies.

The Independent Board Committee should note that any comparison made with respect to the Comparable Companies is intended for illustrating the relative valuation only. Any inference drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation of China XLX as none of the Comparable Companies are dual listed on the SGX-ST and SEHK.

In the Comparable Companies analysis, we have considered the following valuation and capital ratios as described in Table (7) below.

Table (7): Description of valuation and financial ratios

Valuation and financial ratios	General description
EV/EBITDA	“EV” or “enterprise value” is the sum of a company’s market capitalisation, preferred equity, minority interests, short and long term debt less its cash and cash equivalents. “EBITDA” stands for consolidated earnings before interest, tax, depreciation and amortisation expenses, inclusive of share of associates’ and joint ventures’ income. The EV/EBITDA ratio illustrates the ratio of the market value of a company’s business relative to its consolidated pre-tax operating cashflow performance, without regard to its capital structure.
P/E	“P/E” or “price-to-earnings” ratio illustrates the ratio of the market capitalisation of a company relative to its consolidated earnings attributable to its shareholders. The P/E ratio is affected by, inter alia, the capital structure of a company, its tax position, its provisioning policy, as well as its accounting policies relating to depreciation and intangible assets.
P/B	“P/B” or “price-to-book value” ratio illustrates the ratio of the market capitalisation of a company relative to its asset backing as measured in terms of its consolidated net asset value or book value as at a particular date.
P/NTA	“P/NTA” or “price-to-net tangible assets” ratio illustrates the ratio of the market capitalisation of a company relative to its tangible asset backing as calculated by deducting intangibles from its consolidated net asset value or book value as at a particular date.
Gearing	“Gearing” illustrates the ratio of the net debt of a company relative to its total shareholders’ funds. The gearing ratio illustrates the level of financial leverage employed by a company.

Table (8) below sets out the valuation ratios for the Comparable Companies based on their last transacted share prices as at the Latest Practicable Date.

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Table (8): Valuation and financial ratios of the Comparable Companies

	Latest financial quarter end ⁽¹⁾	Market capitalisation ⁽²⁾ (S\$ million)	EV/EBITDA ⁽³⁾ (times)	P/E ⁽⁴⁾ (times)	P/B ⁽⁵⁾ (times)	P/NTA ⁽⁶⁾ (times)	Gearing ⁽⁵⁾ (times)
Listed on the SGX-ST							
Sunvic	31-Mar-2014	299	4.5	3.9	0.6	0.7	1.1
Jiutian	31-Mar-2014	127	11.9	29.8	1.4	1.4	net cash
Sunsine	31-Mar-2014	110	3.2	7.1	0.7	0.7	0.1
Listed on the SEHK							
China Bluechemical	31-Dec-2013	3,157	4.4	9.5	1.1	1.1	net cash
Century Sunshine	31-Dec-2013	511	6.9	13.8	1.6	2.5	net cash
		Low	3.2	3.9	0.6	0.7	net cash
		Mean	6.2	12.8	1.1	1.3	0.6
		Median	4.5	9.5	1.1	1.1	0.6
		High	11.9	29.8	1.6	2.5	1.1
China XLX ⁷	31-Mar-2014	400	8.8	7.5	0.8	0.8	1.3

Sources: *Bloomberg, China XLX and Comparable Companies' financial reports and ING computations*

Notes:

- (1) *All the Comparable Companies' most recently completed financial year end was 31 December 2013.*
- (2) *Market capitalisation as at the Latest Practicable Date, converted to S\$ using S\$1.00\$:HKD6.2075 and S\$1.00:RMB0.2013 as at the Latest Practicable Date.*
- (3) *The EBITDA is based on audited financial statements of the Comparable Companies for the most recent completed financial year that is publicly available as at the Latest Practicable Date while the EV is based on the latest quarterly financial information that is publicly available as at the Latest Practicable Date.*
- (4) *The earnings information is based on audited financial statements of the Comparable Companies for the most recent completed financial year.*
- (5) *The book value and gearing value is based on the Comparable Companies' latest quarterly financial information that is publicly available as at the Latest Practicable Date.*
- (6) *The net tangible asset value is based on the Comparable Companies' latest quarterly financial information that is publicly available as at the Latest Practicable Date.*
- (7) *The market capitalisation and valuation ratios of China XLX are computed based on the Exit Offer Price.*

We note that:

- (i) the EV/EBITDA ratio of China XLX implied by the Exit Offer Price is within the range and is higher than the mean and median of the EV/EBITDA ratios of the Comparable Companies;
- (ii) the P/E ratio of China XLX implied by the Exit Offer Price is within the range and is lower than the mean and median of the P/E ratios of the Comparable Companies;
- (iii) the P/B ratio of China XLX implied by the Exit Offer Price is within the range and is lower than the mean and median of the P/B ratios of the Comparable Companies;
- (iv) The P/NTA ratio of China XLX implied by the Exit Offer Price is within the range and is lower than the mean and median of the P/NTA ratios of the Comparable Companies; and
- (v) The gearing ratio of China XLX is above the range of the gearing ratios of the Comparable Companies.

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The valuation multiples implied by the Exit Offer Price are within the range of the Comparable Companies. Although the P/E ratio, the P/B ratio and the P/NTA ratio are lower than the corresponding mean and median ratios of the Comparable Companies, the EV/EBITDA ratio is higher than the mean and median of the EV/EVBITDA ratios of the Comparable Companies. Accordingly, we are of the view that the Exit Offer Price compares reasonably against the parameters implied by the Comparable Companies and is fair and reasonable. We also note that the Delisting is not a privatisation exercise and following the completion of the Delisting, the primary listing status of China XLX on the Main Board of SEHK will be preserved.

6.5 Delisting of selected companies listed on the SGX-ST

For the purpose of undertaking comparisons with other companies seeking delisting from the SGX-ST, we have reviewed other successful and ongoing delistings in Singapore and considered the premia represented by the various delisting prices compared to the delisting companies' last transacted price, 1-month and 3-month periods VWAP (where applicable) prior to the announcements of the respective delistings, as well as the implied P/E, P/B and P/NTA ratios.

We set out in Table (9) below an exhaustive list of successful delistings in Singapore that were announced since 27 June 2011 and up to the Latest Practicable Date (the "**Reference Transactions**").

It should be noted that the successful delistings in Table (9) below resulted in delisting of the relevant companies from the SGX-ST and save for the delistings involving China Animal Healthcare Ltd. and Sound Global Ltd., the relevant shareholders were unable to transact their shares on any public stock exchanges after the completion of the relevant delistings. In the event China XLX is delisted from the SGX-ST, Shareholders who elect not to participate in the Exit Offer will have their China XLX Shares automatically transferred, at China XLX's cost, from the Singapore Register to the HK Branch Register and continue to be able to transact their China XLX Shares on the SEHK. Nevertheless, we consider the delistings in Table (9) relevant for our analysis as the Exit Offer, in the event it is successful, will result in the delisting of China XLX from the SGX-ST.

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Table (9): Delisting of selected companies in Singapore

Date announced	Company	Market capitalisation (\$m) ⁽¹⁾	Industry	Premium/(discount) of offer price over/(to)			P/E	P/B	P/NTA
				Last transacted price prior to announcement	1 month VWAP prior to announcement	3 month VWAP prior to announcement			
Completed									
24-Mar-14	Asia Power Corporation Limited	75	Power and Utilities	0.0%	1.2%	2.1%	n.m	0.5	0.6
25-Feb-14	Chemoil Energy Limited ⁽⁶⁾	517	Marine Fuels	17.6%	28.2%	30.7%	5.1	0.9	1.1
23-Dec-13	Malacca Trust Limited	104	Diversified financial services	15.4%	15.4%	15.4%	23.3	2.1	2.1
19-Nov-13	WBL Corporation Limited	1,234	Electronic components and automotive	27.5%	26.2%	24.3%	n.m	1.3	1.4
7-Oct-13	Devotion Energy Group Limited	38	Energy	23.4%	24.3%	25.0%	5.4	0.8	0.8
28-Sep-13	Consciencefood Holding Limited	73	Food manufacturing	23.5%	23.5%	18.7%	5.8	0.9	0.9
6-Sep-13	Superior Multi-Packaging Limited	71	Packaging materials manufacturer	0.0%	0.5%	10.8%	n.m	0.9	1.0
5-Jul-13	Armstrong Industrial Corporation Limited	197	Foam and rubber manufacturer	6.7%	12.6%	14.8%	17.2	1.9	2.0
28-Jun-13 ⁽²⁾	Sound Global Ltd.	903	Wastewater treatment	22.8%	18.9%	22.6%	10.3	1.5	1.5
24-Jun-13	Food Junction Holdings Limited	31	Food and Beverage	40.1%	37.8%	38.4%	n.m	1.4	1.8
27-May-13 ⁽³⁾	China Animal Healthcare Ltd.	509	Healthcare	27.7%	30.8%	31.4%	24.3	1.9	4.0
10-May-13	Pan Pacific Hotel Group Ltd	1,530	Lodging	9.0%	8.2%	6.1%	21.5	1.6	1.7
8-Feb-13 ⁽⁴⁾	Hup Soon Global Corporation Ltd	36	Automotive wholesale	0.0%	(3.0%)	1.0%	15.9	0.5	0.5
15-Oct-12	Synear Food Holdings Ltd.	256	Food manufacturing	6.9%	15.4%	23.2%	19.0	0.4	0.4
23-Sep-12 ⁽⁵⁾	Gul Technologies Singapore Ltd	151	Electronic components	38.5%	57.6%	71.6%	7.6	1.8	1.8
1-Aug-12	Cerebos Pacific Ltd	2,095	Food manufacturing	22.7%	22.9%	23.0%	20.9	5.2	5.6
8-Nov-11	Leeden Ltd	102	Industrial machinery distribution	5.6%	16.0%	21.7%	15.1	1.3	1.4
31-Oct-11	CHT (Holdings) Ltd	49	Chemicals	100.0%	57.3%	63.1%	n.m	0.5	0.5
11-Oct-11	Wanxiang International Ltd	63	Chemicals	43.9%	61.5%	56.5%	6.5	1.1	1.1

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Date announced	Company	Market capitalisation (\$m) ⁽¹⁾	Industry	Premium/(discount) of offer price over/(to)			P/E	P/B	P/NTA	
				Last transacted price prior to announcement	1 month VWAP prior to announcement	3 month VWAP prior to announcement				
4-Oct-11	Pacific Shipping Trust ⁽⁶⁾	254	Ship chartering	14.7%	18.1%	21.4%	9.4	1.0	1.0	
23-Aug-11	Asia Environment Holdings Ltd	154	Wastewater treatment	33.3%	24.3%	20.9%	n.m	0.9	1.0	
12-Aug-11	Centraland Ltd	738	Real estate	11.1%	n.a	11.1%	n.m	2.9	3.4	
3-Aug-11	CMZ Holdings	57	Apparel	22.6%	33.3%	26.8%	6.3	1.2	1.2	
				Low	0.0%	(3.0%)	1.0%	5.1	0.4	0.4
				Mean	22.3%	24.1%	25.2%	13.3	1.4	1.6
				Median	22.6%	23.2%	22.6%	12.7	1.2	1.2
				High	100.0%	61.5%	71.6%	24.3	5.2	5.6
11-Dec-13 ⁽⁷⁾	China XLX			23.1%	28.9%	24.8%	7.5	0.8	0.8	

Sources: Bloomberg, announcements made by the respective companies seeking delisting, annual reports and/or results announcements of the respective companies seeking delisting

Notes:

- (1) Based on the respective delisting prices.
- (2) The voluntary delisting of Sound Global Ltd. was announced on 10 September 2013. However, prior to this announcement, Sound Global Ltd. announced on 28 June 2013 that its board of directors had received a letter of intent from its ultimate controlling shareholder, Mr. Wen Yibo on a possible proposal to seek voluntary delisting of Sound Global Ltd. As such, our analysis of the delisting price for Sound Global Ltd. is based on prices prior to 28 June 2013.
- (3) The voluntary delisting of China Animal Healthcare Ltd. was announced on 27 May 2013. However, prior to this announcement, China Animal Healthcare Ltd. announced on 22 May 2012 that was in advanced stages of a possible delisting of its ordinary shares. As such, our analysis of the delisting price for China Animal Healthcare Ltd. is based on prices prior to 22 May 2012.
- (4) The voluntary delisting of Hup Soon Global Corporation Limited ("**Hup Soon**") was announced on 8 February 2013. However, prior to the voluntary delisting, Hup Soon was the subject of a take-over that was announced on 26 July 2012. The delisting price for the delisting of Hup Soon is the same as the offer price for the said take-over offer. As such, our analysis of the delisting price for Hup Soon is based on prices prior to 26 July 2012.
- (5) The voluntary delisting of Gul Technologies Singapore Ltd ("**Gul Technologies**") was announced on 23 September 2012. However, on 13 September 2012, Gul Technologies announced that it was aware that a party was exploring certain corporate actions that may or may not lead to an offer for Gul Technologies. As such, our analysis of the delisting price for Gul Technologies is based on prices prior to 13 September 2012.
- (6) Denominated in US\$.
- (7) VWAP calculation based on Possible Offer Announcement Date.

Based on the above, we note that:

- (i) the Exit Offer Price represents a premium of 23.1% over the last transacted price of the China XLX Shares on the SGX-ST prior to Possible Offer Announcement Date and is within the range, and higher than the mean and the median premia of the Reference Transactions;
- (ii) the Exit Offer Price represents a premium of 28.9% over the 1-month VWAP of China XLX on the SGX-ST prior to the Possible Offer Announcement Date and is within the range and higher than the mean and median premia of the Reference Transactions;
- (iii) the Exit Offer Price represents a premium of 24.8% over the 3-month VWAP of the China XLX Shares on the SGX-ST prior to the Possible Offer Announcement Date and is within the range, below the mean and higher than the median premia of the Reference Transactions;
- (iv) the historical P/E ratio implied by the Exit Offer Price is within the range, and is lower than the mean and median of the historical P/E ratios of the Reference Transactions;

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- (v) the historical P/B ratio implied by the Exit Offer Price is within the range, and is lower than the mean and median of the historical P/B ratios of the Reference Transactions; and
- (vi) the historical P/NTA ratio implied by the Exit Offer Price is within the range, and is lower than the mean and the median of the historical P/NTA ratios of the Reference Transactions.

Although the historical P/E ratio, the P/B ratio and P/NTA ratio are lower than the respective ratios of the Reference Transactions, the premia implied by the Exit Offer Price are higher than the median premia of the Reference Transactions for the last transacted price, 1 month VWAP and 3 month VWAP prior to announcement. We also note that the implied valuation ratios are all within the range of the Reference Transactions. Accordingly, we are of the view that the Exit Offer Price compares reasonably against the parameters implied by the Reference Transactions and is fair and reasonable, particularly having regard that the Delisting is not a privatisation exercise and following the completion of the Delisting, the primary listing status of China XLX on the Main Board of the SEHK will be preserved.

6.6 Recent VGOs of selected companies listed on the SEHK

We have reviewed all VGOs (including share repurchases by way of general offer and partial offers) announced since 1 January 2010 and up to the Latest Practicable Date for companies listed on the SEHK. The Delisting will also not result in any right of compulsory acquisition or squeeze-out of any minority Shareholders. We therefore consider the comparison with the VGOs relevant for our analysis.

As the Offeror has no intention to privatise China XLX or delist its shares from the Main Board of the SEHK, in analysing the Exit Offer, we have selected VGOs by way of cash offer and for which the offeror had no intention to privatise the target and the respective independent financial adviser has given a fair and reasonable opinion as precedents. We have excluded real estate companies as the analysis of such companies normally focuses on the P/B ratio.

We believe the VGOs set out in Table (10) (the “**VGO Precedents**”) below is an exhaustive list which meet the above selection criteria, capture appropriately recent premium and/or discount applied to VGOs of companies listed in Hong Kong and provide indicative market ranges and averages for the purpose of comparing the terms of the Exit Offer. Independent Shareholders should, however, note that the VGO Precedents are from different industries which may lead to different premium when compared to the Exit Offer. Although such comparisons made alone may not necessarily reflect the valuation for China XLX, they nevertheless give an indication of the level of premium expected for similar transactions.

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We set out in Table (10) below our analysis:

Table (10): VGO Precedents

Date announced	Company	Market capitalisation (HKD'm)	Industry	Nature of transaction	Premium/(discount) of offer price over/(to)			P/E	P/B	P/NTA	
					Last transacted price prior to announcement	1 month VWAP prior to announcement	3 month VWAP prior to announcement				
10-Sep-13	Sound Global Ltd.	903	Water / waste management	VGO	22.8%	18.9%	22.6%	10.3	1.5	1.5	
9-Sep-13	Vinda International Holdings Limited	10,981	Household paper product manufacturer	VGO	38.4%	31.8%	31.2%	20.1	2.5	2.5	
5-Sep-13	Radford Capital Investment Limited	270	Investment holding company	VGO	77.9%	88.0%	64.0%	n.m	1.7	1.7	
27-May-13	China Animal Healthcare Ltd.	3,130	Healthcare	Share repurchase	27.7%	30.8%	31.4%	22.8	1.9	4.0	
3-Apr-13	V.S. International Group Limited	464	Manufacturing	Partial offer	7.6%	17.4%	31.3%	n.m	1.0	1.1	
10-Oct-12	Pizu Group Holdings Limited	126	Investment holding & information technology	VGO	7.2%	16.4%	18.2%	n.m	2.7	n.m.	
31-Aug-12	Winteam Pharmaceutical Group Limited	3,032	Pharmaceutical	VGO	17.2%	17.5%	22.5%	42.1	3.3	4.7	
4-Jun-12	China Star Entertainment Limited	717	Film production and distribution	Share repurchase	78.6%	72.5%	52.5%	n.m	0.4	0.4	
28-Jan-11	Shui On Construction and Materials Limited	5,872	Construction & engineering	Partial offer	24.4%	28.4%	27.8%	6.5	0.6	0.6	
24-Mar-10	Allied Overseas Limited (Previously known as Quality HealthCare Asia Limited)	923	Healthcare	Share repurchase	3.8%	6.3%	5.8%	12.3	2.7	3.0	
					Low	3.8%	6.3%	5.8%	6.5	0.4	0.4
					Mean	30.6%	32.8%	30.7%	19.0	1.8	2.2
					Median	23.6%	23.7%	29.5%	16.2	1.8	1.7
					High	78.6%	88.0%	64.0%	42.1	3.3	4.7
11-Dec-13 ⁽¹⁾	China XLX				23.1%	28.9%	24.8%	7.5	0.8	0.8	

Note:

(1) VWAP calculation based on the Possible Offer Announcement Date.

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Based on the above, we note that:

- (i) the Exit Offer Price represents a premium of between 23.1% and 28.9% of VWAP to the China XLX Shares on the SGX-ST during the 3-month period prior to the Possible Offer Announcement Date, and this is within the range of the VGO Precedents;
- (ii) the historical P/E ratio implied by the Exit Offer Price is within the range, and is lower than the mean and the median of the historical P/E ratios of the VGO Precedents;
- (iii) the historical P/B ratio implied by the Exit Offer Price is within the range, and is lower than the mean and the median of the historical P/B ratios of the VGO Precedents; and
- (iv) the historical P/NTA ratio implied by the Exit Offer Price is within the range, and is lower than the mean and the median of the historical P/NTA ratios of the VGO Precedents.

In conclusion, with the implied valuation ratios within the range of the VGO Precedents, the Exit Offer Price compares reasonably against the parameters implied by the VGO Precedents. In particular, we also note that the Delisting is not a privatisation exercise and following the completion of the Delisting, the primary listing status of China XLX on the Main Board of SEHK will be preserved.

6.7 Other relevant considerations

6.7.1 *The Delisting is not a privatisation exercise*

We note that the Delisting is not a privatisation exercise and China XLX intends to maintain its primary listing on the SEHK, so Shareholders who currently trade their China XLX Shares on the Mainboard of the SGX-ST and who prefer to continue trading their China XLX Shares on the Main Board of the SEHK subsequent to the completion of the Delisting by not accepting the Exit Offer will have their China XLX Shares automatically transferred, at China XLX's cost, from the Singapore Register to the HK Branch Register.

Shareholders will thereafter be able to trade their China XLX Shares freely on the Main Board of the SEHK upon setting up investor participant stock accounts in The Central Clearing and Settlement System ("**CCASS**") with the Hong Kong Securities Clearing Company Limited or stock accounts with designated CCASS participants, through brokerage firms in Hong Kong or Singapore which offer such services, and depositing their China XLX Shares into CCASS for credit to their investor participant stock accounts or their designated CCASS participant stock accounts thereafter.

The Delisting will not result in the exercise of any right of compulsory acquisition by the Offeror to compulsorily acquire or squeeze-out any minority Shareholders.

6.7.2 *Approval of the Delisting does not equate to participation in the Exit Offer*

We note that the Exit Offer is made pursuant to the Delisting under Rules 1307 and 1309 of the Listing Manual.

We would like to draw the Independent Board Committee's attention to the following:

- (i) Independent Shareholders are entitled to approve the Delisting Resolution without any obligation or need to participate in the Exit Offer;

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- (ii) Shareholders who do not wish to continue holding their China XLX Shares and trade on the Main Board of the SEHK may elect to accept the Exit Offer at the Exit Offer Price of S\$0.40¹⁰ in cash for each Offer Share; and
- (iii) the Exit Offer will not be conditional upon a minimum number of acceptances being received by the Offeror for the Exit Offer to become or be capable of being declared unconditional as to acceptances.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders vote in favour of the Delisting Resolution at the EGM.

6.7.3 Public float and Placing Agreement

We note that under the Rules Governing the Listing of Securities on the SEHK (“**HK Listing Rules**”), in the event that at the close of the Exit Offer, i) less than the minimum prescribed shareholding percentage applicable to China XLX (being 25% of the total issued China XLX Shares) is held by the public, ii) the SEHK believes that a false market exists or may exist in the trading of the China XLX Shares, or iii) that there are insufficient China XLX Shares in public hands to maintain an orderly trading market, the SEHK has the discretion to require suspension of dealings in the China XLX Shares.

We note that CITIC Securities has been appointed by the Offeror on 31 March 2014 as sole placing agent to purchase or to procure purchasers to purchase all China XLX Shares that may be acquired by the Offeror pursuant to the Exit Offer (“**Placing Agreement**”), subject to certain customary conditions for placings. The price at which the China XLX Shares will be placed pursuant to the Placing Agreement will be set at a Hong Kong dollar amount per China XLX Share equal to the average HKD acquisition price per China XLX Share under the Exit Offer.

Under the Placing Agreement, the average HKD acquisition price will be at a price in HKD which is equivalent to the mean price per China XLX Share in HKD paid for the acquisition of the China XLX Shares under the Exit Offer (taking into account the actual amount paid in respect of China XLX Shares purchased on the HK Branch Register and the HKD equivalent on the day of payment of S\$ amounts paid in respect of China XLX Shares purchased on the Singapore Register), and adjusted downwards by the HKD amount per China XLX Share paid to the Shareholders in respect of any dividends, rights and other distributions in respect of the China XLX Shares the record date for which falls on or after the Joint Offer Announcement Date but prior to the date of the placing.

The Offeror will use the net proceeds of the placing towards repayment of the facility granted to the Offeror by CITIC Securities Brokerage (HK) Limited pursuant to the facility agreement dated 31 March 2014 and related fees and expenses. Assuming completion of the placing, the shareholdings of the Offeror and parties acting in concert with it will be restored to their pre-offer shareholding levels of approximately 64.94% of the total number of issued China XLX Shares and public float will be at not less than 25% of the total issued China XLX Shares.

The Offeror will be using the placing under the Placing Agreement as its principal method of remedying any shortfalls in the level of China XLX’s public float required by the HK Listing Rules as a result of a high take-up of the Exit Offer. If the conditions to the placing are not satisfied or waived by 31 December 2014, the placing will not proceed and any breach of the minimum public float requirements as a result of the Exit Offer may not be remedied until the Offeror or China XLX takes other appropriate steps to restore the minimum public float.

¹⁰ The actual amount of the Exit Offer Price payable in respect of each Offer Share will be reduced by the amount per China XLX Share of the 2013 Final Dividend

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Each of the Offeror, the Offeror's sole director, China XLX and Go Power Investments Limited as a controlling shareholder will undertake to the SEHK (a) to take such other steps as may be appropriate to ensure that sufficient public float exists in the China XLX Shares following completion of the Exit Offer; and (b) to use reasonable endeavours to ensure that China XLX will have a sufficiently wide spread of Shareholders and that there will be a genuine open market for the China XLX Shares immediately after the placing.

Further details of the conditions of the Placing Agreement are set out in section 10 of the Circular.

6.7.4 Dividend payout

We note that the Exit Offer Price has been determined on the basis that the Offer Shares will be acquired together with the right to receive any dividends, rights and other distributions in respect of the China XLX Shares including the 2013 Final Dividend ("**Distributions**") (if any), the Record Date¹¹ for which falls on or after the Joint Offer Announcement Date.

In view of the dividend payout falling on 26 May 2014 and the offer settlement date falling thereafter, the Exit Offer Price payable for Offer Shares tendered in acceptance of the Exit Offer shall be reduced by an amount which is equal to the dividend payout, as set out in the offer announcement and the Exit Offer Letter. Therefore, accepting Shareholders will receive for every Offer Share tendered in acceptance of the Exit Offer an amount equal to the Exit Offer price less the amount per China XLX Share of the 2013 Final Dividend, being:

- (a) for each Offer Share in respect of China XLX Share held on the register maintained by CDP in respect of book-entry securities and on the Singapore Register, S\$0.388; and
- (b) for each Offer Share in respect of China XLX Share held on the HK Branch Register, the Hong Kong dollar amount of the Exit Offer Price (calculated using such exchange rate of Hong Kong dollars for the Exit Offer Price at the same time of payment as may be available to and confirmed by the Offeror's processing agent for the Exit Offer in Hong Kong as the prevailing exchange rate) less HKD0.0774 (being the actual Hong Kong dollar amount per China XLX Share of the 2013 Final Dividend).

7. IRREVOCABLE UNDERTAKINGS

We note that Shareholders holding in aggregate approximately 38.58% of the total issued China XLX Shares as at the Latest Practicable Date have provided, amongst others, the following irrevocable undertakings to the Offeror a) to exercise or procure the exercise of the voting rights attached to their China XLX Shares to vote in favour of the Delisting Resolution at the EGM and b) not to accept the Exit Offer in respect of all or any of their China XLX Shares.

We note that Bondholder who holds the Undertaking Bonds has provided, amongst others, the following irrevocable undertakings to the Offeror a) to waive its rights to receive any offer for the Bonds under the Singapore Takeover Code and the HK Takeover Code from the Offeror arising from the Exit Offer and the Delisting and b) not to exercise the right of conversion or right of redemption attached to the Bonds prior to the close or withdrawal of the Exit Offer.

The full text of information on the above said undertakings has been set out in section 7 of the Circular.

¹¹ In relation to any Distributions, the date on which Shareholders must be registered with China XLX, CCASS or with the CDP, as the case may be, in order to be entitled to such Distributions

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8. OPINION IN RESPECT OF THE EXIT OFFER

In arriving at our opinion in respect of the Exit Offer, we have reviewed and evaluated all key factors, including the views and representations of the Directors and management of China XLX, which we deem to have significant relevance to our assessment of whether (a) the terms of the Exit Offer is fair and reasonable and (b) the Exit Offer is not prejudicial to the interests of the Independent Shareholders.

We have taken into account the following, which should be read in conjunction with, and interpreted, in the full context of this letter:

- a) the Exit Offer Price represents a premium of approximately 23.1% over China XLX Shares' closing price of S\$0.325 on the last trading day prior to the Possible Offer Announcement Date;
- b) the Exit Offer Price represents a premium of approximately 11.4% to 28.9% over the 5-day, 1-month, 3-month, 6-month and 12-month China XLX Share VWAPs of S\$0.329, S\$0.310, S\$0.321, S\$0.327 and S\$0.359 respectively, preceding the Possible Offer Announcement Date;
- c) the Exit Offer Price represents a discount of approximately 22.8% and 15.6% over the unaudited consolidated net asset value and the unaudited consolidated net tangible asset value, respectively, per China XLX Share of S\$0.52 and S\$0.47 as at 31 March 2014 (assuming an exchange rate of S\$1.00:RMB4.945). We note, however, that the realisation of the value of the assets of China XLX may take significant effort and time and that the realised value may differ significantly from the current estimates due to changed circumstances prevailing at the time of such realisation;
- d) we concur with management's view that China XLX shall benefit from the Chinese government's on-going support for agriculture and that the China XLX Group should achieve its growth targets through further development of its products and brand identity. However, we note that continued decreases in the price of urea and compound fertiliser could have a negative impact on the margins in these business lines;
- e) the EV/EBITDA, P/E, P/B and P/NTA ratios of China XLX implied by the Exit Offer Price are within the range of the Comparable Companies. The EV/EBITDA implied by the Exit Offer Price is above the mean and median of the comparable companies while the P/E, P/B and P/NTA ratios are below the mean and median of the Comparable Companies; and
- f) the premia over China XLX SGX-ST Share Price implied by the Exit Offer Price is in line with the premia of the Reference Transactions and VGO Precedents.

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Having regard to the foregoing, as at the date of this letter, we are of the opinion that on balance:

- (a) the terms of the Exit Offer is fair and reasonable so far as the Independent Shareholders are concerned; and
- (b) the Exit Offer is not prejudicial to the interests of the Independent Shareholders.

(The following paragraphs apply to Independent Shareholders on the HK Branch Register)

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders vote in favour of the Delisting Resolution at the EGM and accept the Exit Offer.

In the event that the market price of the China XLX Shares exceeds the Exit Offer Price during the period when the Exit Offer is open for acceptance and the sales proceeds (net of transaction costs) exceeds the amount receivable under the Exit Offer, Independent Shareholders should consider not accepting the Exit Offer and consider seeking to sell their China XLX Shares in the market if they are able to do so.

Independent Shareholders who, having taken the Exit Offer Price into consideration, would like to hold the China XLX Shares for a longer term and who are confident and optimistic about their equity investments in China XLX and the prospects of the China XLX Group following the Delisting, and are ready to hold China XLX Shares listed on the SEHK should consider not accepting the Exit Offer.

The Independent Board Committee should advise Independent Shareholders that their decision to realise or to hold their investment in the China XLX Shares depends on their own individual circumstances and investment objectives.

Our Opinion herein is based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, and information made available to us as at the Latest Practicable Date. Independent Shareholders will be notified by the Directors of any material changes and our Opinion (where it stays the same or being updated) as soon as possible if such material change arises after the despatch of the Circular during the Offer Period.

This Opinion is provided for the benefit of the Independent Board Committee in their evaluation of the Delisting and the Exit Offer and may not be relied on for any other purposes, without the prior written consent of ING.

Yours faithfully,
For and on behalf of
ING Bank N.V., Singapore Branch

ING Bank N.V., Hong Kong Branch

Grenville Thynne
Managing Director

Andrew Lau
Director



CHINA XLX FERTILISER LTD.

中國心連心化肥有限公司*

(Incorporated in Singapore on 17 July 2006)

(Company Registration No. 200610384G)

(Singapore Stock Code: B9R)

(Hong Kong Stock Code: 1866)

* For identification purpose only

18 June 2014

To the Independent Shareholders

Dear Sir or Madam

PROPOSED VOLUNTARY DELISTING OF CHINA XLX FERTILISER LTD. FROM THE OFFICIAL LIST OF THE MAINBOARD OF THE SGX-ST PURSUANT TO RULES 1307 AND 1309 OF THE SGX-ST LISTING MANUAL

1. We have been appointed as members of the Independent Board Committee to advise you in respect of the Exit Offer and the Delisting. Details of the Exit Offer and the Delisting are set out in the letter from the Board contained in the document of the Company dated 18 June 2014 (“**Circular**”) of which this letter forms part of. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.
2. Your attention is drawn to the opinion of the IFA set out in Appendix I to the Circular, which contains its advice to the Independent Board Committee in respect of the Exit Offer and Delisting, as well as the principal factors and reasons for its advice.
3. Having considered the factors and reasons considered by, and the opinion of, the IFA as stated in the aforementioned opinion, we unanimously concur with the assessment of the IFA and its recommendations thereon. Accordingly, we recommend that the Independent Shareholders vote in favour of the Delisting Resolution at the EGM and accept the Exit Offer.

In the event that the market price of the Shares exceeds the Exit Offer Price during the period when the Exit Offer is open for acceptance and the sales proceeds (net of transaction costs) exceeds the amount receivable under the Exit Offer, Independent Shareholders should consider not accepting the Exit Offer and consider seeking to sell their Shares in the market if they are able to do so.

Independent Shareholders who, having taken the Exit Offer Price into consideration, would like to hold the Shares for a longer term and who are confident and optimistic about their equity investments in the Company and the prospects of the Group following the Delisting, and are ready to hold Shares listed on the Main Board of the SEHK should consider not accepting the Exit Offer.

APPENDIX II: LETTER FROM THE INDEPENDENT BOARD COMMITTEE

4. In rendering the above opinion and giving the above recommendations, the Independent Board Committee has not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Board Committee recommends that any Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Accordingly, the Independent Board Committee advises that the opinion and advice of the IFA should not be relied upon by any Shareholder as the sole basis for deciding whether or not to approve the Delisting Resolution or to accept the Exit Offer, and that his decision to realise or to hold his investment in the Shares depends on his own individual circumstances and investment objectives.
5. Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting, or not accepting, the Exit Offer.

Yours faithfully,
Independent Board Committee
China XLX Fertiliser Ltd.

Ong Kian Guan	<i>(Lead Independent Non-executive Director)</i>
Li Shengxiao	<i>(Independent Non-executive Director)</i>
Ong Wei Jin	<i>(Independent Non-executive Director)</i>
Lian Jie	<i>(Non-executive Director)</i>

APPENDIX III: ADDITIONAL INFORMATION ON THE OFFEROR

The following additional information on the Offeror has been extracted from Appendix 4 to the Exit Offer Letter, and is reproduced in italics below. All terms and expressions used in the extract below shall bear the same meanings as attributed to them in the Exit Offer Letter unless otherwise stated.

“ADDITIONAL INFORMATION ON THE OFFEROR

1. DIRECTOR

The name, address and description of the sole director of the Offeror as at the Latest Practicable Date, are set out below:

Name	Address	Description
<i>Mr. Liu Xingxu</i>	<i>No. 185 Zhangyin West Street Xinxiang District Henan Province, PRC</i>	<i>Sole Director</i>

2. REGISTERED OFFICES

The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

3. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

The Offeror is a company incorporated in the BVI on 23 May 2006. The principal activities of the Offeror are those of an investment holding company. As at the Latest Practicable Date, the Offeror has an issued share capital of US\$1.00 comprising 1 ordinary share. The sole director of the Offeror is Mr. Liu, who is also the Chairman, Chief Executive Officer and executive Director of the Company. As at the Latest Practicable Date, the Offeror owns an aggregate of 350,794,000 Shares, representing approximately 35.08% of the total issued Shares and Mr. Liu owns 600,000 Shares, representing approximately 0.06% of the total issued Shares.

4. SUMMARY OF FINANCIAL INFORMATION

No audited financial statements of the Offeror have been prepared since the date of its incorporation, as there is no requirement to do so under the BVI Companies Act.

5. MATERIAL CHANGES IN FINANCIAL POSITION

Save for the making and financing of the Exit Offer, as at the Latest Practicable Date, there has been no known material change in the financial position of the Offeror since 23 May 2006, being the date of its incorporation.

6. SIGNIFICANT ACCOUNTING POLICIES

As no audited financial statements of the Offeror have been prepared since the date of its incorporation, there are no significant accounting policies to be noted.”

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

1. REGISTERED OFFICE

The registered office of the Company is at 80 Robinson Road, #02-00, Singapore 068898.

2. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Descriptions
Mr. Liu Xingxu	No. 185 Zangyin West Street Xin Xiang District Henan Province, PRC	Chairman, Chief Executive Officer and executive Director
Ms. Yan Yunhua	Xianxinxing Pharmaceutical Plant Hostel Xinxiang County Henan Province, PRC	Chief Financial Officer and executive Director
Mr. Li Buwen	Xinxiang Fertiliser Plant Courtyard Xinxiang County Henan Province, PRC	executive Director
Mr. Lian Jie	49A, Tower 7 The Latitude 638 Prince Edward Road East Kowloon, Hong Kong	Non-executive Director
Mr. Ong Kian Guan	30 Sturdee Road #30-04 Kerrisdale Singapore 207852	Lead Independent Non-executive Director
Mr. Li Shengxiao	Huancheng West Street #5 Yuecheng Zone Shaoxing City Zhejiang Province, PRC	Independent Non-executive Director
Mr. Ong Wei Jin	100 Clemenceau Avenue North #09-111 Cavenagh House Singapore 229491	Independent Non-executive Director

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

3. SHARE CAPITAL

3.1 Number and Class of Shares

The Company has only one class of Shares, comprising ordinary shares. The Shares are quoted and listed on the Official List of the Mainboard of the SGX-ST and Main Board of the SEHK.

As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$166,988,900 comprising 1,000,000,000 Shares.

As at the Latest Practicable Date, the Company has outstanding Bonds which are convertible into up to 176,000,000 Shares.

As at the Latest Practicable Date, the Company does not have any treasury Shares in issue.

3.2 Rights of Shareholders in respect of capital, dividends and voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. The provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting are set out in **Appendix VIII** to this Circular.

3.3 Number of Shares issued since the end of the last financial year

As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 31 December 2013, being the end of the last financial year.

3.4 Convertible Instruments

As at the Latest Practicable Date, save for the Bonds, the Company does not have any other outstanding options, rights, warrants or other instruments convertible into, exercisable for or redeemable with, any Shares.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

4. SUMMARY OF FINANCIAL INFORMATION

4.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group audited by Ernst & Young LLP for FY2011, FY2012 and FY2013, and the unaudited consolidated statements of comprehensive income of the Group for 1QFY2014 is set out below.

	FY2011 (RMB'000)	Audited FY2012 (RMB'000)	FY2013 (RMB'000)	Unaudited 1QFY2014 (RMB'000)
Revenue	3,688,233	3,945,584	3,968,946	1,269,632
Cost of sales	(3,181,860)	(3,225,942)	(3,221,247)	(1,048,441)
Gross profit	506,373	719,642	747,699	221,191
Other income	23,986	29,080	26,302	9,836
Other expenses	(20,025)	(22,387)	(9,079)	(6,085)
Distribution and selling expenses	(70,500)	(69,462)	(82,242)	(43,699)
Administrative expenses	(136,059)	(202,493)	(275,984)	(72,175)
Finance costs	(78,930)	(82,359)	(95,073)	(51,121)
Profit before income tax	224,845	372,021	311,623	57,947
Income tax expenses	(44,337)	(61,020)	(52,230)	(10,688)
Profit for the year/period	180,508	311,001	259,393	47,259
Other Comprehensive Income				
Available-for-sale investment change in fair value			3,622	45
Total comprehensive income for the year	180,508	311,001	263,015	47,304
Profit for the year attributable to:				
Owners of the Company	180,508	311,121	264,052	48,209
Non-controlling interests		(120)	(4,659)	(950)
	180,508	311,001	259,393	47,259
Total comprehensive income attributable to:				
Owners of the Company	180,508	311,121	267,674	48,254
Non-controlling interests		(120)	(4,659)	(950)
	180,508	311,001	263,015	47,304
Earnings per share (in RMB cents)				
Basic and Diluted	17.96	26.46	22.45	4.10
Net dividend per share (in RMB cents)	3.7	6.3	6	–
Total dividend	37,000	63,000	60,000	–

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

The above summary of the audited consolidated statements of comprehensive income of the Group for FY2011, FY2012 and FY2013 should be read together with the audited consolidated financial statements of the Group for the relevant years and related notes thereto, copies of which are available for inspection (i) during normal business hours at the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00 Singapore 068898; (ii) during normal business hours at the office of the Branch Share Registrar and Transfer Office in Hong Kong, at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; (iii) on the website of the Company at <http://www.chinaxlx.com.hk>, and (iv) during the Offer Period on the website of the SFC at <http://www.sfc.hk> under the heading "Documents on display".

The Company confirmed that there had been no exceptional items because of size, nature or incidence in FY2011, FY2012, FY2013 and 1QFY2014.

4.2 Statements of Financial Position

A summary of the audited consolidated statement of financial position of the Group as at 31 December 2013 and the unaudited consolidated statement of financial position of the Group as at 31 March 2014 is set out below.

	Audited As at 31 December 2013 (RMB'000)	Unaudited As at 31 March 2014 (RMB'000)
NON-CURRENT ASSETS		
Property, plant and equipment	4,735,403	5,186,371
Prepaid land lease payment	171,446	170,486
Goodwill	6,950	6,950
Deferred tax assets	8,663	8,663
Coal mining right	41,232	40,822
Available-for-sale investment	7,500	7,500
Prepayments for purchases of items of plant and equipment	687,469	738,359
Prepayments to related companies	–	3,151
	5,658,663	6,162,302
CURRENT ASSETS		
Inventories	261,377	268,869
Trade and other receivables	9,572	21,879
Available-for-sale investment	8,323	8,368
Income tax recoverable	26,446	25,694
Deposits and other receivables	198,995	213,940
Bills receivable	3,897	23,661
Prepayments	186,930	202,646
Amounts due from related company	1,907	–
Pledged deposits	148,961	213,885
Cash and cash equivalents	797,813	378,221
	1,644,221	1,357,163

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

	Audited As at 31 December 2013 (RMB'000)	Unaudited As at 31 March 2014 (RMB'000)
CURRENT LIABILITIES		
Trade payables	88,171	92,708
Income tax payable	4	4
Bills payable	260,143	349,761
Accruals and other payables	829,368	827,291
Short-term bond payable	300,000	300,000
Deferred grants	4,892	4,556
Interest-bearing bank and other borrowings	134,983	356,545
Amounts due to related company	–	–
	1,617,561	1,930,865
NET CURRENT ASSETS	26,660	(573,702)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,685,323	5,588,600
NON-CURRENT LIABILITIES		
Deferred tax liabilities	50,216	50,216
Interest-bearing bank and other borrowings	2,837,832	2,690,179
Long-term bond payable	250,000	250,000
Other prepayable	398	397
Deferred grants	33,026	36,743
	3,171,472	3,027,445

The above summary of the audited consolidated statement of financial position of the Group as at 31 December 2013 should be read together with the audited consolidated financial statements of the Group for FY2013 and related notes thereto, copies of which are available for inspection (i) during normal business hours at the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00 Singapore 068898; (ii) during normal business hours at the office of the Branch Share Registrar and Transfer Office in Hong Kong, at Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong; (iii) on the website of the Company at <http://www.chinaxlx.com.hk>, and (iv) during the Offer Period on the website of the SFC at <http://www.sfc.hk> under the heading "Documents on display".

4.3 Consolidated Group NTA per Share

The Consolidated Group NTA per Share is RMB2.34, based on the unaudited consolidated statement of financial position of the Group as at 31 March 2014 (being the latest published accounts of the Group prior to the date of this Circular).

As at the Latest Practicable Date, there are no known material changes which may affect the Consolidated Group NTA per Share indicated in the paragraph above.

The assets of the Group have not been revalued for the purposes of the Delisting and the Exit Offer and accordingly, no information on the Group's revalued net asset value is available.

4.4 Significant Accounting Policies

The significant accounting policies of the Group are disclosed in Note 3 to the audited financial statements for FY2013, which are reproduced in **Appendix V** to this Circular.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

As at the Latest Practicable Date, there is no change in the accounting policy of the Company which will cause the figures disclosed in Sections 4.1, 4.2 and 4.3 of this Appendix not to be comparable to a material extent.

4.5 Qualification

There is no qualification contained in the audited consolidated financial statements of the Group for FY2011, FY2012 and FY2013.

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, there have been no material changes in the financial or trading position or outlook of the Company since 31 December 2013, being the date to which the Company's last published audited accounts were made up.

6. DISCLOSURE OF INTERESTS

- (a) None of the Company and its subsidiaries has any direct or deemed interest (within the meaning of the Singapore Companies Act) in the Offeror Securities as at the Latest Practicable Date.
- (b) None of the Company and its subsidiaries has dealt for value in the Offeror Securities during the Reference Period.
- (c) Save as disclosed in Section 5 of the "Letter to Shareholders" to this Circular, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.
- (d) Save as disclosed in Section 5 of the "Letter to Shareholders" to this Circular, none of the Directors has dealt for value in the Offeror Securities during the Reference Period.
- (e) None of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the HK Takeover Code owned or controlled any Company Securities as at the Latest Practicable Date.
- (f) None of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the HK Takeover Code had dealt for value in any Company Securities during the Reference Period.
- (g) No person had any arrangement of the kind referred to in Note 8 to Rule 22 of the HK Takeover Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the HK Takeover Code or with the Offeror or any person acting in concert with it as at the Latest Practicable Date.
- (h) No person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the HK Takeover Code had dealt for value in any Company Securities during the Reference Period.
- (i) No Company Securities were managed on a discretionary basis by fund managers connected with the Company as at the Latest Practicable Date.
- (j) No fund managers who were connected with the Company had dealt for value in any Company Securities which were managed on a discretionary basis during the Reference Period.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

- (k) There were no Company Securities which the Company or any Directors had borrowed or lent as at the Latest Practicable Date.

(l) **Disclosure of Directors' Interests**

Disclosure under Singapore Law

The table below sets out the Directors' direct and indirect interest in the Company Securities as at the Latest Practicable Date, based on the information in the Register of Directors' Shareholdings maintained in accordance with Section 164 of the Singapore Companies Act.

Director	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Liu Xingxu ⁽²⁾	600,000	0.06	350,794,000	35.08
Yan Yunhua ⁽³⁾	300,000	0.03	297,734,000	29.77
Li Buwen ⁽²⁾	—	—	—	—
Li Shengxiao	—	—	—	—
Lian Jie	—	—	—	—
Ong Wei Jin	—	—	—	—
Ong Kian Guan	100,000	0.01	—	—

Notes:

- (1) The percentage shareholding is based on the total issued share capital of the Company of 1,000,000,000 Shares as at the Latest Practicable Date.
- (2) Mr. Liu Xingxu is deemed or taken to be interested in 350,794,000 Shares (approximately 35.08% of the issued share capital of the Company) all of which are held by Pioneer Top. Pioneer Top is an investment holding company established in the British Virgin Islands, of which Mr. Liu is the registered owner of 100% shareholding in Pioneer Top. Mr. Liu beneficially owns approximately 42% of the equity interest in Pioneer Top, and holds approximately 58% of the equity interest in Pioneer Top on trust for 7 beneficiaries, including approximately 16% for Mr. Li Buwen, an executive Director, and approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao, 7% for Mr. Wang Nairen and 7% for Mr. Zhang Qingjin, the Group's senior management, and approximately 7% for Mr. Zhu Xingye and 7% for Mr. Shang Dewei, the employees of the Group. Mr. Liu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company in accordance with a trust declaration dated 26 July 2006.
- (3) Ms. Yan Yunhua is deemed or taken to be interested in 297,734,000 Shares (approximately 29.77% of the issued share capital of the Company) all of which are held by Go Power. Go Power is an investment holding company established in British Virgin Islands, of which Ms. Yan is the registered owner of 100% shareholding in Go Power. Ms. Yan beneficially owns approximately 12.74% of the equity interest in Go Power, and holds approximately 87.26% of the equity interest in Go Power on trust for 1,463 beneficiaries. Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in the Company in accordance with the trust declaration dated 26 July 2006 and the trust confirmation dated 16 June 2009.

Disclosure under the SFO

Save as disclosed in the table below, none of the Directors or chief executive of the Company had any direct or indirect interest or short position in the Company Securities as at the Latest Practicable Date which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the HK Listing Rules, to be notified to the Company and the SEHK.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

Number of Shares / underlying Shares held, capacity and nature of interest

Name	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage to the issued share capital of the Company (%)
Liu Xingxu	600,000	–	350,794,000 ⁽¹⁾	351,394,000	35.14
Yan Yunhua	300,000	–	297,734,000 ⁽²⁾	298,034,000	29.80
Ong Kian Guan	100,000	–	–	100,000	0.01
Li Buwen	–	–	–	–	–
Li Shengxiao	–	–	–	–	–
Lian Jie	–	–	–	–	–
Ong Wei Jin	–	–	–	–	–

Notes:

- (1) These Shares were held by Pioneer Top. Mr. Liu Xingxu beneficially owned 42% of the equity interest in Pioneer Top and held the remaining 58% equity interest in Pioneer Top in trust for seven beneficiaries (including Mr. Li Buwen) under a trust agreement. Pursuant to the trust agreement dated 26 July 2006, Mr. Liu Xingxu was granted the absolute discretion to exercise the voting rights held by Pioneer Top in the Company.
- (2) These Shares were held by Go Power. Ms. Yan beneficially owned 12.74% of the equity interest in Go Power and held the remaining 82.76% in trust for 1,436 individual beneficiaries under a trust arrangement. Pursuant to the trust arrangement, Ms. Yan has the absolute discretion to exercise the voting rights held by Go Power in the Company.

None of the Directors has dealt for value in any Company Securities during the Reference Period.

(m) Disclosure of Shareholders' Interests

Disclosure under Singapore Law

The interests of the Substantial Shareholders of the Company as recorded in the Register of Substantial Shareholders of the Company as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Pioneer Top ⁽²⁾	350,794,000	35.08	–	–
Go Power ⁽³⁾	297,734,000	29.77	–	–

Notes:

- (1) The percentage shareholding is based on the total issued share capital of the Company of 1,000,000,000 Shares as at the Latest Practicable Date.
- (2) Pioneer Top is a company incorporated in British Virgin Islands. The Chairman and CEO, Mr. Liu Xingxu holds 42% interest in Pioneer Top, with the remaining 58% held in trust by Mr. Liu Xingxu for the beneficiaries under a trust agreement dated 26 July 2006. The beneficiaries under the trust agreement are Mr. Li Buwen, with 16% equity interest, Mr. Li Yushun, Mr. Ru Zhengtao, Mr. Wang Nairen, Mr. Zhang Qingjin, Mr. Zhu Xingye and Mr. Shang Dewei, with 7% equity interest respectively. Pioneer Top's shareholdings in the Company are held through the nominee, HKSCC Nominees Limited. Pursuant to the trust agreement, Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company.
- (3) Go Power is a company incorporated in British Virgin Islands. The CFO and executive Director, Ms. Yan Yunhua holds 12.74% interest in Go Power, with the remaining 87.26% held in trust by Ms. Yan Yunhua for the

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beneficiaries under a trust declaration dated 26 July 2006 and a trust confirmation dated 16 June 2009. The beneficiaries under the trust arrangement comprise a total of 1,463 current and past employees and certain past and present customers/suppliers of the Group. Go Power's shareholdings in the company are held through the nominee, HKSCC Nominees Limited. Pursuant to the trust declaration and the trust confirmation, Ms. Yan Yunhua has the absolute discretion to exercise the voting rights held by Go Power in the Company.

Disclosure under the SFO

As far as was known to the Directors or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have, an interest or short position in the Company Securities which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 376 of the SFO, to be entered into in the register referred to therein.

Name	Number of Shares	Percentage of the issued share capital of the Company (%)
Pioneer Top Holdings Limited ⁽¹⁾	350,794,000	35.08
Go Power Investments Limited ⁽²⁾	297,734,000	29.77
CITIC Securities Corporate Finance (HK) Limited	263,397,000 ⁽³⁾	26.34
CITIC Securities Company Limited	263,397,000 ⁽⁴⁾	26.34
CITIC Securities International Company Limited	263,397,000 ⁽⁴⁾	26.34
Nitro Capital Limited	176,000,000 ⁽⁵⁾	14.97 ⁽⁶⁾

Notes:

- (1) Pioneer Top is a company incorporated in British Virgin Islands. The Chairman and CEO, Mr. Liu Xingxu holds 42% interest in Pioneer Top, with the remaining 58% held in trust by Mr. Liu Xingxu for the beneficiaries under a trust agreement dated 26 July 2006. The beneficiaries under the trust agreement are Mr. Li Buwen, with 16% equity interest, Mr. Li Yushun, Mr. Ru Zhengtao, Mr. Wang Nairen, Mr. Zhang Qingjin, Mr. Zhu Xingye and Mr. Shang Dewei, with 7% equity interest respectively. Pioneer Top's shareholdings in the Company are held through the nominee, HKSCC Nominees Limited. Pursuant to the trust agreement, Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company.
- (2) Go Power is a company incorporated in British Virgin Islands. The CFO and executive Director, Ms. Yan Yunhua holds 12.74% interest in Go Power, with the remaining 87.26% held in trust by Ms. Yan Yunhua for the beneficiaries under a trust agreement dated 26 July 2006 and a trust confirmation dated 16 June 2009. The beneficiaries under the trust agreement and the trust confirmation comprise a total of 1,463 current and past employees and certain past and present customers/suppliers of the Group. Go Power's shareholdings in the company are held through the nominee, HKSCC Nominees Limited. Pursuant to the trust agreement and the trust confirmation, Ms. Yan Yunhua has the absolute discretion to exercise the voting rights held by Go Power in the Company.

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- (3) Pursuant to the Placing Agreement, subject to its terms and conditions, the Offeror agreed to sell, and CITIC Securities agreed to purchase at its sole discretion as principal or, as sole and exclusive agent of the Offeror, procure third-party purchasers to purchase, such number of Shares that may be acquired by the Offeror pursuant to the Exit Offer. On the basis that none of the outstanding Bonds will be converted into Shares prior to the close of the Exit Offer and the Exit Offer is accepted in full, 263,397,000 Shares will be subject to the Exit Offer and the maximum number of Shares that CITIC Securities may purchase or procure purchase under the Placing Agreement is 263,397,000.
 - (4) CITIC Securities is a corporation controlled by CITIC Securities International Company Limited, which in turn is a wholly-owned subsidiary of CITIC Securities Company Limited.
 - (5) Nitro Capital Limited is the holder of the 4.5% convertible bonds due on 21 December 2016 and issued by the Company on 21 December 2011 with an aggregate outstanding principal amount of RMB324,366,153.50, which are convertible into 176,000,000 Shares at the prevailing conversion price of approximately RMB1.84 per Share as at the Latest Practicable Date.
 - (6) Assuming full conversion of the convertible bonds calculated based on the enlarged Share capital of the Company.
- (n) Neither ING Bank N.V., its related corporations nor funds whose investments are managed by it or its related corporations on a discretionary basis owns, controls or has agreed to acquire any Company Securities or Offeror Securities as at the Latest Practicable Date.
- (o) Neither ING Bank N.V., its related corporations nor funds whose investments are managed by it or its related corporations on a discretionary basis has dealt for value in the Company Securities or the Offeror Securities in the Reference Period.

7. INDEBTEDNESS

As at 31 March 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings comprising bank loans, short-term bond payable and long-term bond payable in total of RMB3,596,724,000. For the avoidance of doubt, this indebtedness statement does not include non-interest bearing borrowings.

Save as set out in the preceding paragraph, the Group did not have, as at 31 March 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, mortgages, charges or guarantees, or other material contingent liabilities.

8. DIRECTORS' INTENTIONS IN RELATION TO THE EXIT OFFER

The Directors who hold Shares have indicated their intention in respect of accepting or rejecting the Exit Offer in respect of their Shares as at the Latest Practicable Date, as follows:

- (a) Mr. Liu, Ms. Yan and Go Power (a company which is controlled by Ms. Yan) collectively own an aggregate of 298,634,000 Shares, representing approximately 29.86% of the total number of issued Shares as at the Latest Practicable Date. Pursuant to the Shares Undertakings, each of Mr. Liu, Ms. Yan and Go Power have given an irrevocable undertaking to the Offeror not to accept the Exit Offer. As at the Latest Practicable Date, each of Mr. Liu and Ms. Yan have informed the Company that they will not be tendering any of the Shares held by them (or such entities that they control) in acceptance of the Exit Offer.
- (b) Mr Ong Kian Guan owns 100,000 Shares, representing approximately 0.01% of the total issued Shares as at the Latest Practicable Date. As at the Latest Practicable Date, Mr Ong Kian Guan has informed the Company that he does not intend to accept the Exit Offer in respect of all the Shares held by him.

As at the Latest Practicable Date, save for Mr. Liu, Ms. Yan and Mr. Ong Kian Guan, none of the Directors owns, controls or is otherwise interested in any Company Securities.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

9. DIRECTORS' SERVICE CONTRACTS

Disclosure under the Singapore Takeover Code

As at the Latest Practicable Date, there were (i) no service contracts between any Director or proposed director with the Company or any of its subsidiaries or associated companies with more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without payment of compensation (other than statutory compensation); and (ii) no such service contracts entered into or amended between any of the Directors or proposed director and the Company or any of its subsidiaries or associated companies during the Reference Period.

Disclosure under the HK Takeover Code

Details of the service agreements between the Company or any of its subsidiaries or associated companies and the Directors which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the offer; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period are set out as follows:

Name of Director	Date of service contract	Service contract period	Fixed remuneration (excluding pension payments)	Variable remuneration
Liu Xingxu	4 May 2014	4 May 2014 to 3 May 2017	RMB900,000 per annum	See notes 1 and 2
Yan Yunhua	4 May 2014	4 May 2014 to 3 May 2017	RMB720,000 per annum	See notes 1 and 3
Li Buwen	4 May 2014	4 May 2014 to 3 May 2017	RMB720,000 per annum	See notes 1 and 4
Lian Jie	2 June 2014	2 June 2014 to 1 June 2017	None	None
Ong Kian Guan	2 June 2014	2 June 2014 to 1 June 2017	Singapore dollars 60,000 per annum	None
Li Shengxiao	4 May 2014	4 May 2014 to 3 May 2017	Singapore dollars 50,000 per annum	None
Ong Wei Jin	2 June 2014	2 June 2014 to 1 June 2017	Singapore dollars 50,000 per annum	None

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

Notes:

- (1) Pursuant to the respective service contracts entered into by each of Mr. Liu Xingxu, Ms. Yan and Mr. Li Buwen with the Company referred to above, the executive Directors are entitled to bonus calculated based on the Company's profits after taxation and profits attributable to the shareholders for the financial year ("Profits"). The aggregate bonus to be shared among Mr. Liu, Ms. Yan and Mr. Li Buwen ("**Aggregate Bonus**") shall be calculated as follows:
- (a) if the Profits amount to RMB150,000,000 (including RMB150,000,000) to RMB200,000,000 (excluding RMB200,000,000), the Aggregate Bonus shall be 2% of such amount being the Profits minus RMB150,000,000;
- (b) If the Profits amount to RMB200,000,000 (including RMB200,000,000) to RMB250,000,000 (excluding RMB250,000,000), the Aggregate Bonus shall be 2.5% of such amount being the Profits minus RMB200,000,000; and
- (c) If the Profits amount to RMB250,000,000 (including RMB250,000,000), the Aggregate Bonus shall be 3% of such amount being the Profits minus RMB250,000,000.
- (2) Pursuant to the service contract entered into by Mr. Liu and the Company, the Company shall pay Mr. Liu 40% of the Aggregate Bonus.
- (3) Pursuant to the service contract entered into by Ms. Yan and the Company, the Company shall pay Ms. Yan 30% of the Aggregate Bonus.
- (4) Pursuant to the service contract entered into by Mr. Li Buwen and the Company, the Company shall pay Mr. Li Buwen 30% of the Aggregate Bonus.

10. ARRANGEMENTS AFFECTING DIRECTORS

- (a) There is no payment or other benefit which will be made or given to any Director or any director of any corporation deemed to be related to the Company by virtue of Section 6 of the Singapore Companies Act, as compensation for loss of office or otherwise in connection with the Exit Offer.
- (b) Save for the Undertakings granted in favour of the Offeror as disclosed in Section 7 in "Letter to Shareholders" of this Circular and other matters about the Offeror Concert Group as disclosed in this Circular, as at the Latest Practicable Date, there was no agreement or arrangement made between any Director and any other person in connection with the Exit Offer or conditional on or dependent upon the outcome of or otherwise connected with the Exit Offer.
- (c) Save for the interests of Mr Liu, Ms. Yan, and the Undertakings granted in favour of the Offeror as disclosed in Section 7 in "Letter to Shareholders" of this Circular and other matters about the Offeror Concert Group as disclosed in this Circular, as at the Latest Practicable Date, none of the Directors had any material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

APPENDIX IV: ADDITIONAL INFORMATION ON THE COMPANY AND THE GROUP

11. MATERIAL CONTRACTS

The Group had not, within the period beginning three (3) years before the Possible Offer Announcement Date up to and including the Latest Practicable Date, entered into any contract (whether or not with interested persons¹) which was or might be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries).

12. MATERIAL LITIGATION

As at the Latest Practicable Date:

- (a) neither the Company nor any of its subsidiaries was engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group taken as a whole; and
- (b) the Directors were not aware of any litigation, claim or proceeding pending or threatened by or against the Company or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company or the Group taken as a whole.

13. NO RESTRICTION ON TRANSFER OF SHARES

There is no restriction in the Memorandum or Articles of Association of the Company on the right to transfer any Shares, which has the effect of requiring the holders of such Shares, before transferring them, to offer them for purchase to members of the Company or any other person.

¹ An "interested person" is defined in the Note on Rule 23.12 of the Singapore Takeover Code to mean:

- (a) a director, chief executive officer, or Substantial Shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) of the Company together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or
- (f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

Independent auditors' report

To the shareholders of China XLX Fertiliser Ltd.

(Incorporated in Singapore with limited liability)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of China XLX Fertiliser Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 14 to 90, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore

21 February 2014

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	3,968,946	3,945,584
Cost of sales		<u>(3,221,247)</u>	<u>(3,225,942)</u>
Gross profit		747,699	719,642
Other income and gains	6	26,302	29,080
Selling and distribution expenses		(82,242)	(69,462)
General and administrative expenses		(275,984)	(202,493)
Other expenses		(9,079)	(22,387)
Finance costs	8	<u>(95,073)</u>	<u>(82,359)</u>
PROFIT BEFORE TAX	7	311,623	372,021
Income tax expense	11	<u>(52,230)</u>	<u>(61,020)</u>
Profit for the year	12	<u><u>259,393</u></u>	<u><u>311,001</u></u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value	19	3,622	(1,004)
Reclassification adjustment for impairment loss included in profit or loss		<u>–</u>	<u>1,004</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>3,622</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>263,015</u></u>	<u><u>311,001</u></u>
Profit attributable to:			
Owners of the parent		264,052	311,121
Non-controlling interest		<u>(4,659)</u>	<u>(120)</u>
		<u>259,393</u>	<u>311,001</u>
Total comprehensive income attributable to:			
Owners of the parent		267,674	311,121
Non-controlling interest		<u>(4,659)</u>	<u>(120)</u>
		<u>263,015</u>	<u>311,001</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents per share)	14	<u>22.45</u>	<u>26.46</u>

Details of the dividend proposed for the year are disclosed in note 13 to the financial statements.

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	4,735,403	3,019,025
Prepaid land lease payments	16	171,446	175,290
Goodwill	17	6,950	6,950
Coal mining right	18	41,232	41,955
Available-for-sale investment	19	7,500	7,500
Deferred tax assets	33	8,663	4,706
Prepayments for purchases of items of plant and equipment	23	687,469	721,626
		<hr/>	<hr/>
Total non-current assets		5,658,663	3,977,052
CURRENT ASSETS			
Due from related companies	25	1,907	1,760
Available-for-sale investment	19	8,323	4,701
Inventories	21	261,377	432,366
Trade receivables	22	9,572	15,520
Bills receivable	22	3,897	1,740
Prepayments	23	186,930	140,630
Deposits and other receivables	23	198,995	49,080
Income tax recoverable		26,446	3,858
Pledged deposits	24, 27	148,961	12,900
Cash and cash equivalents	24	797,813	477,610
		<hr/>	<hr/>
Total current assets		1,644,221	1,140,165
		<hr/>	<hr/>
Total assets		7,302,884	5,117,217
		<hr/> <hr/>	<hr/> <hr/>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

	Notes	2013 RMB'000	2012 RMB'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Due to a related company	25	–	135
Trade payables	26	88,171	110,773
Bills payable	27	260,143	25,800
Accruals and other payables	28	829,368	422,437
Income tax payable		4	4
Deferred grants	29	4,892	3,596
Interest-bearing bank and other borrowings	30	134,983	172,000
Short-term bond payable	31	300,000	300,000
		<hr/>	<hr/>
Total current liabilities		1,617,561	1,034,745
		<hr/>	<hr/>
Net current assets		26,660	105,420
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,685,323	4,082,472
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	2,837,832	1,679,485
Deferred grants	29	33,026	23,474
Deferred tax liabilities	33	50,216	51,081
Other payables		398	–
Long-term bond payable	34	250,000	–
		<hr/>	<hr/>
Total non-current liabilities		3,171,472	1,754,040
		<hr/>	<hr/>
Total liabilities		4,789,033	2,788,785
		<hr/>	<hr/>
Net assets		2,513,851	2,328,432
		<hr/>	<hr/>
Equity attributable to owners of the parent			
Issued capital	35	836,671	836,671
Convertible bonds	32	322,436	322,436
Revaluation reserve		3,622	–
Statutory reserve fund	36	199,295	167,873
Retained profits		1,089,256	931,222
Proposed final dividend	13	60,000	63,000
		<hr/>	<hr/>
Non-controlling interest		2,511,280	2,321,202
		2,571	7,230
		<hr/>	<hr/>
Total equity		2,513,851	2,328,432
		<hr/>	<hr/>
Total equity and liabilities		7,302,884	5,117,217
		<hr/>	<hr/>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2013

Group

	Notes	Attributable to owners of the Company								
		Issued capital (note 35) RMB'000	Convertible bonds (note 32) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund (note 36) RMB'000	Retained profits RMB'000	Proposed final dividend (note 13) RMB'000	Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
At 1 January 2012		836,671	321,996	–	133,655	732,355	37,000	2,061,677	–	2,061,677
Profit for the year and total comprehensive income for the year		–	–	–	–	311,121	–	311,121	(120)	311,001
Incorporation of a subsidiary		–	–	–	–	–	–	–	7,350	7,350
Transfer to statutory reserve fund	36	–	–	–	34,218	(34,218)	–	–	–	–
2011 final dividend declared		–	–	–	–	–	(37,000)	(37,000)	–	(37,000)
Convertible bonds interest	32	–	15,036	–	–	(15,036)	–	–	–	–
Payment of convertible bonds interests		–	(14,596)	–	–	–	–	(14,596)	–	(14,596)
Proposed 2012 final dividend	13	–	–	–	–	(63,000)	63,000	–	–	–
At 31 December 2012		<u>836,671</u>	<u>322,436</u>	<u>–</u>	<u>167,873</u>	<u>931,222</u>	<u>63,000</u>	<u>2,321,202</u>	<u>7,230</u>	<u>2,328,432</u>
At 1 January 2013		836,671	322,436	–	167,873	931,222	63,000	2,321,202	7,230	2,328,432
Profit for the year		–	–	–	–	264,052	–	264,052	(4,659)	259,393
Other comprehensive income for the year:										
Change in fair value of an available-for-sale investment		–	–	3,622	–	–	–	3,622	–	3,622
Total comprehensive income for the year		–	–	3,622	–	264,052	–	267,674	(4,659)	263,015
Transfer to statutory reserve fund	36	–	–	–	31,422	(31,422)	–	–	–	–
2012 final dividend declared		–	–	–	–	–	(63,000)	(63,000)	–	(63,000)
Convertible bonds interest	32	–	14,596	–	–	(14,596)	–	–	–	–
Payment of convertible bonds interest		–	(14,596)	–	–	–	–	(14,596)	–	(14,596)
Proposed 2013 final dividend	13	–	–	–	–	(60,000)	60,000	–	–	–
At 31 December 2013		<u>836,671</u>	<u>322,436</u>	<u>3,622</u>	<u>199,295</u>	<u>1,089,256</u>	<u>60,000</u>	<u>2,511,280</u>	<u>2,571</u>	<u>2,513,851</u>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

Company

		Issued capital (note 35) RMB'000	Convertible bonds (note 32) RMB'000	Available- for-sale investment revaluation reserve (note 13) RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
Notes							
At 1 January 2012		836,671	321,996	–	977	37,000	1,196,644
Profit for the year and total comprehensive income for the year		–	–	–	77,677	–	77,677
2011 final dividend declared		–	–	–	–	(37,000)	(37,000)
Convertible bonds interest	32	–	15,036	–	(15,036)	–	–
Payment of convertible bonds interests		–	(14,596)	–	–	–	(14,596)
Proposed 2012 final dividend	13	–	–	–	(63,000)	63,000	–
At 31 December 2012		<u>836,671</u>	<u>322,436</u>	<u>–</u>	<u>618</u>	<u>63,000</u>	<u>1,222,725</u>
At 1 January 2013		836,671	322,436	–	618	63,000	1,222,725
Profit for the year		–	–	–	74,985	–	74,985
Other comprehensive income for the year: Change in fair value of an available-for- sale investment		–	–	3,622	–	–	3,622
Total comprehensive income for the year		–	–	3,622	74,985	–	78,607
2012 final dividend declared		–	–	–	–	(63,000)	(63,000)
Convertible bonds interests	32	–	14,596	–	(14,596)	–	–
Payment of convertible bonds interest		–	(14,596)	–	–	–	(14,596)
Proposed 2013 final dividend	13	–	–	–	(60,000)	60,000	–
At 31 December 2013		<u>836,671</u>	<u>322,436</u>	<u>3,622</u>	<u>1,007</u>	<u>60,000</u>	<u>1,223,736</u>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		311,623	372,021
Adjustments for:			
Amortisation of prepaid land lease payments	7	3,844	3,350
Amortisation of coal mining right	7	1,603	1,568
Depreciation of items of property, plant and equipment	7	183,455	178,866
Loss on disposal of items of property, plant and equipment	7	5,191	10,146
Amortisation of deferred grants	6	(1,121)	(1,095)
Impairment loss of an available-for-sale investment	7	–	1,004
Write-down of inventories to net realisable value	7	–	5,410
Write-off of trade receivables	7	–	43
Interest income	6	(3,847)	(4,463)
Finance costs	8	95,073	82,359
		<hr/>	<hr/>
		595,821	649,209
Decrease in inventories		170,989	155,338
Decrease in trade and bills receivables		3,791	13,472
Increase in prepayments		(46,300)	(22,371)
Increase in deposits and other receivables		(149,915)	(35,741)
Net change in balances with related companies		(282)	(1,788)
Increase in trade and bills payables		211,741	15,730
Increase in accruals and other payables		235,812	40,816
		<hr/>	<hr/>
Cash flows generated from operations		1,021,657	814,665
Government grants received	29	11,969	24,700
Interest paid	8	(164,793)	(110,118)
Interest received		3,847	4,463
Tax paid		(79,640)	(68,319)
		<hr/>	<hr/>
Net cash flows from operating activities		793,040	665,391
		<hr/>	<hr/>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		2,298	247
Purchases of items of property, plant and equipment		(1,631,928)	(1,189,114)
Additions of coal mining right	18	(880)	(1,760)
Investment in an available-for-sale investment	19	–	(7,500)
Increase in pledged time deposits		(136,061)	(2,900)
		<hr/>	<hr/>
Net cash flows used in investing activities		(1,766,571)	(1,201,027)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		(63,000)	(37,000)
Payment of convertible bonds interest		(14,596)	(14,596)
Proceeds from issue of a short-term bond	31	300,000	300,000
Repayment of a short-term bond	31	(300,000)	–
Proceeds from issue of a long-term bond	34	250,000	–
Proceeds from loans and borrowings		2,092,702	992,212
Repayments of loans and borrowings		(971,372)	(748,818)
Capital contribution by a non-controlling interest		–	7,350
		<hr/>	<hr/>
Net cash flows from financing activities		1,293,734	499,148
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		320,203	(36,488)
		<hr/>	<hr/>
Cash and cash equivalents at end of year		477,610	514,098
		<hr/>	<hr/>
		<hr/>	<hr/>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand and cash and cash equivalents as stated in the consolidated statement of financial position		797,813	477,610
		<hr/>	<hr/>

APPENDIX V: AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE GROUP FOR Y2013

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	20	1,340,000	1,100,000
CURRENT ASSETS			
Available-for-sale investment	19	8,323	4,701
Due from a subsidiary	20	230,938	132,938
Prepayments	23	318	318
Cash and cash equivalents	24	5,400	4,587
Total current assets		244,979	142,544
Total assets		1,584,979	1,242,544
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Accruals and other payables		16,260	19,819
Interest-bearing bank and other borrowings	30	94,983	–
Total current liabilities		111,243	19,819
Net current assets		133,736	122,725
TOTAL ASSETS LESS CURRENT LIABILITIES		1,473,736	1,222,725
NON-CURRENT LIABILITIES			
Long-term bond payable	34	250,000	–
Total liabilities		361,243	19,819
Net assets		1,223,736	1,222,725
Equity attributable to owners of the parent			
Issued capital	35	836,671	836,671
Convertible bonds	32	322,436	322,436
Revaluation reserve		3,622	–
Retained profits		1,007	618
Proposed final dividend	13	60,000	63,000
Total equity		1,223,736	1,222,725
Total equity and liabilities		1,584,979	1,242,544

NOTES TO FINANCIAL STATEMENTS*31 December 2013***1. CORPORATE INFORMATION**

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are dually primary-listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898. The principal place of business of the Group is located at Xixiang High Technology Development Zone (Xiaoji Town), Henan Province, the People's Republic of China (the "PRC"). The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are disclosed in note 20 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("SFRSs") (which include all Singapore Financial Reporting Standards and Singapore Financial Reporting Interpretations ("INT SFRSs")) issued by the Singapore Accounting Standards Council.

These financial statements have been prepared on a historical cost basis, except for a current available-for-sale investment, which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values in the tables are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

- Amendments to SFRS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
- Revised SFRS 19 *Employee Benefits*
- SFRS 113 *Fair Value Measurement*
- Amendments to SFRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Improvements to SFRSs 2012
 - Amendment to SFRS 1 *Presentation of Financial Statements*
 - Amendment to SFRS 16 *Property, Plant and Equipment*
 - Amendment to SFRS 32 *Financial Instruments: Presentation*
 - Amendments to SFRS 34 *Interim Financial Reporting*
 - Amendments to SFRS 101 *First-time Adoption of International Financial Reporting Standards*
- INT SFRS 120 *Stripping Costs in the Production Phase of a Surface Mine*

The adoption of these standards and interpretations did not have material effect on the results and financial position of the financial statements, or their presentation.

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2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Revised SFRS 27 <i>Separate Financial Statements</i>	1 January 2014
Revised SFRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
SFRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
SFRS 111 <i>Joint Arrangements</i>	1 January 2014
SFRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to SFRS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to SFRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
Amendments to SFRS 111 <i>Joint Arrangements</i>	1 January 2014
Amendments to SFRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
Amendments to SFRS 27 <i>Separate Financial Statements</i>	1 January 2014
Amendments to SFRS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
Amendments to the transition guidance of SFRS 110 <i>Consolidated Financial Statements</i> , SFRS 111 <i>Joint Arrangements</i> and SFRS 112 <i>Disclosures of Interests in Other Entities</i>	1 January 2014
Amendments to SFRS 110, SFRS 112 and SFRS 27 <i>Investment Entities</i>	1 January 2014
Amendments to SFRS 36 <i>Recoverable Amount Disclosures for Non-financial Assets</i>	1 January 2014
Amendments to SFRS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
INT SFRS 121 <i>Levies</i>	1 January 2014
Amendments to SFRS 10 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Improvements to SFRSs 2014	
– Amendment to SFRS 102 <i>Share-based Payment</i>	1 July 2014
– Amendments to SFRS 103 <i>Business Combinations</i>	1 July 2014
– Amendments to SFRS 108 <i>Operating Segments</i>	1 July 2014
– Amendments to SFRS 16 <i>Property, Plant and Equipment</i>	1 July 2014
– Amendments to SFRS 24 <i>Related Party Disclosures</i>	1 July 2014
– Amendments to SFRS 38 <i>Intangible Assets</i>	1 July 2014
– Amendments to SFRS 113 <i>Fair Value Measurement</i>	1 July 2014
– Amendments to SFRS 40 <i>Investment Property</i>	1 July 2014

Except for SFRS 111 and Revised SFRS 28, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to SFRS 111 and Revised SFRS 28 are described below.

SFRS 111 Joint arrangements and Revised SFRS 28 Investments in Associates and Joint Ventures

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of the joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will result in decrease in total assets and total liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with SFRSs. Profits reflected in the financial statements prepared in accordance with SFRSs may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC financial reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For items that are traded in active markets, the fair value is determined by reference to quoted market prices. For items with no active market, the fair value is determined using appropriate valuation techniques, such as the discounted cash flow analysis. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset and liability, will be recognised in accordance with SFRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Functional currency

The Group's principal operations are conducted in the PRC. The directors have determined the currency of the primary economic environment in which each entity in the Group operates, i.e., functional currency, to be RMB. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

For consolidation purpose, the assets and liabilities of foreign operations are translated into RMB at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences is re-attributed to non-controlling interest and is not recognised in profit or loss. For partial disposals of associates or jointly-controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The results of the subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with SFRS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company;
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price which includes the cost of replacing part of the property, plant and equipment and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and residual values used for this purpose are as follows:

	Years	Residual value
Buildings	15 – 25	3 to 10%
Other fixtures and structures	15 – 25	3 to 10%
Plant and machinery	8 – 15	3 to 10%
Office equipment and furniture	5	3 to 10%
Motor vehicles	5	3 to 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Coal mining right

Coal mining right is stated at cost less accumulated amortisation and any accumulated impairment losses. The coal mining right is amortised on the straight-line basis over its estimated useful life of 27 years. The useful life of the coal mining right is reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mine. The coal mining right is written off to profit or loss if the coal mining property is abandoned.

Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised on the straight-line basis over the lease terms of 50 years.

The amortisation period and method are reviewed at each financial year end. The amortisation expense is recognised in profit or loss.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit

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exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised previously. Such a reversal is recognised in profit or loss unless the asset is measured at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in "*Foreign currency transactions*" above.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in RMB at the rates prevailing at the date of acquisition.

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit

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or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date (i.e., the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged

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decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designed any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Financial liabilities at amortised cost

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Convertible bonds

Convertible bonds issued by the Company are recognised and included in shareholders' equity based on the terms of the contract. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the convertible bonds is not remeasured in subsequent years. Convertible bonds interests of 4.5% per annum is payable in cash annually in arrears on the anniversary of the issue date (i.e. 21 December 2011) in each year, commencing on the first anniversary of the issue date, which are accrued and paid through the transfer from retained profits of the Group.

Short-term and long-term bonds payable

Short-term and long-term bonds payable are classified under loans and borrowings and recognised initially at fair value. After initial recognition, short-term and long-term bonds payable are subsequently measured at cost because the effect of discounting would be immaterial as their terms are relatively short.

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Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise unpledged bank deposits, cash and bank balances and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including short-term deposits, and assets similar in nature to cash, which are not restricted as to use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity (excluding borrowing costs). These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Government grants

Government grants are received from the local PRC government on a discretionary basis as determined by the government. They are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits – pension benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs as stipulated by the PRC regulations to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

The Company makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to the defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

Pension contributions are recognised as an expense as they become payable in accordance with the rules of the relevant schemes.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from lessor are charged to profit or loss on the straight-line basis over the lease terms.

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Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold.

b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

d) Subsidy income

Subsidy income represents subsidies received from the government and is recognised upon cash receipt and when all the relating conditions have been fulfilled.

e) Amortisation of deferred grants

Deferred grants are amortised and credited to profit or loss by annual instalments over the expected useful life of the relevant assets the grants are intended to compensate.

Income taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Value-added-tax ("VAT")

The Group's sales of goods in the PRC are generally subject to VAT at the applicable tax rates of 13% (for urea and compound fertiliser segments) and 17% (for methanol segment) for PRC domestic sales. However, as part of the government subsidies for the fertiliser industry, full VAT exemption is given to urea and compound fertiliser sales.

Revenues, expenses and assets are recognised net of the amount of VAT, except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Segment reporting

For management purposes, the Group is organised into operating segments based on their products and the segment results are reported directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 5, including the factors used to identify the reportable segments and the measurement basis of segment information.

Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in Singapore and the PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable, payable, deferred tax assets and deferred tax liabilities at 31 December 2013 were RMB26,446,000, RMB4,000, RMB8,663,000 and RMB50,216,000, respectively (2012: income tax recoverable, payable, deferred tax assets and deferred tax liabilities were RMB3,858,000, RMB4,000, RMB4,706,000 and RMB51,081,000, respectively).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RMB6,950,000 (2012: RMB6,950,000). Further details are given in note 17.

Useful lives of plant and machinery

The cost of plant and machinery for the production of fertilisers is depreciated on a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of the production lines to be within 8 to 15 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of the plant and machinery and therefore depreciation charges could be changed in line with revisions to the expected economic useful lives. The carrying amount of the Group's plant and machinery at 31 December 2013 was RMB1,477,572,000 (2012: RMB1,537,039,000).

Impairment of an available-for-sale investment

The Group classifies a listed equity investment as available for sale and recognises movements of its fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 31 December 2013, no impairment loss has been recognised for this available-for-sale investment (impairment loss in 2012: RMB1,004,000). The carrying amount of this available-for-sale investment was RMB8,323,000 (2012: RMB4,701,000).

Impairment of coal mining right

The carrying value of the coal mining right is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy for the impairment of non-financial assets in the section of summary of significant accounting policies. The recoverable amount of the coal mining right, or, where appropriate, the cash-generating unit to which it belongs, is calculated as the value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows. At 31 December 2013, no impairment loss has been recognised for the coal mining right. The carrying amount of the coal mining right at 31 December 2013 was RMB41,232,000 (2012: RMB41,955,000).

Coal mine reserve

Engineering estimates of the Group's coal mine reserve are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding

the engineering criteria that have to be met before an estimated coal mine reserve can be designated as “proved” and “probable”. Proved and probable coal mine reserve estimates are updated on regular intervals taking into recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of the proved and probable coal mine reserve also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment loss. The capitalised cost of the coal mining right is amortised over the estimated useful life of the related coal mine reserve. The useful life is reviewed annually in accordance with the production of the plants of the Group and the proven and probable reserves of the coal mine. The carrying amount of the coal mining right at 31 December 2013 was RMB41,232,000 (2012: RMB41,955,000).

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products, and has three reportable operating segments as follows:

(i) Urea

Urea is a neutral nitrogen-based fertiliser which is suitable for various crops and land. It does not leave any residue in the soil, and provides nitrogen to crops and serves as a raw material for agricultural fertilisers, plastic, resin, coating materials and pharmaceutical industries.

(ii) Compound fertiliser

Compound fertiliser is a type of round, hard, granulated fertiliser and has various distinctive characteristics such as high concentration, high absorption rate by crops, and enhancement of resistance of crops to diseases, insects, droughts and lodges. The use of compound fertiliser generally improves the quality of crops and the productivity of the land. It can be used as ground fertiliser or added fertiliser and is suitable for the growing of wheat, paddy, corn, peanuts, tobacco, fruit trees, vegetables and cotton.

(iii) Methanol

Methanol is a colourless, tasteless, highly volatile, and flammable toxic liquid alcohol. It is an important organic chemical raw material which is mainly used to produce formaldehyde, which is a vital raw material for producing various kinds of resin. Methanol is also a good fuel and has been used as an energy resource in some power stations. Methanol is also widely used in the industrial production of synthetic fibre, plastic, pharmaceutical, pesticides, dye and synthetic protein.

In addition to the three main operating segments, the Group is involved in the production of liquid ammonia and ammonia solution. In addition, in the opinion of the directors, there were only limited operations in the subsidiary that is engaged in coal mining and the sale of coal and the assets and liabilities were not material for the purpose of segment reporting. Accordingly, a separate operating segment for the coal mining business carried out by this subsidiary has not been presented.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs), income taxes and other unallocated items, as explained below, are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Allocation basis

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise other income and gains, other expenses, selling and distribution expenses, general and administrative expenses, finance costs and income tax expense.

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Assets of the Group are utilised interchangeably between different segments and there is no reasonable basis to allocate liabilities of the Group between different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

Geographical information

There is no geographical information presented as the Group mainly operates in Mainland China only.

Information about a major customer

During the years ended 31 December 2013 and 2012, sales to the Group's major customer amounted to RMB175,472,000 (or 4.4% of the total sales) and RMB244,647,000 (or 6.2% of the total sales), respectively.

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Segment profit information

The directors of the Company are of the opinion that the segment profit/(loss) is the operating profit/(loss).

Group

Year ended 31 December 2013	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	2,257,520	1,095,927	601,492	14,007	–	3,968,946
Intersegment sales	81,357	–	2,228	172,376	(255,961)	–
Total revenue	<u>2,338,877</u>	<u>1,095,927</u>	<u>603,720</u>	<u>186,383</u>	<u>(255,961)</u>	<u>3,968,946</u>
Segment profit	498,427	119,220	127,526	2,526	–	747,699
Interest income						3,847
Unallocated other income and gains						22,455
Unallocated expenses						(367,305)
Finance costs						(95,073)
Profit before tax						311,623
Income tax expense						(52,230)
Profit for the year						<u>259,393</u>
Other segment information:						
Loss on disposal of items of property, plant and equipment						5,191
Depreciation of items of property, plant and equipment						183,455
Amortisation of prepaid land lease payments						3,844
Amortisation of coal mining right						1,603

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Group

Year ended 31 December 2012	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	2,498,534	937,973	495,163	13,914	–	3,945,584
Intersegment sales	318,658	–	–	5,743	(324,401)	–
Total revenue	2,817,192	937,973	495,163	19,657	(324,401)	3,945,584
Segment profit	571,285	127,463	19,466	1,428	–	719,642
Interest income						4,463
Unallocated other income and gains						24,617
Unallocated expenses						(294,342)
Finance costs						(82,359)
Profit before tax						372,021
Income tax expense						(61,020)
Profit for the year						311,001

Other segment information:

Write-off of trade receivables	43
Write-down of inventories to net realisable value	5,410
Impairment of an available-for-sale investment	1,004
Loss on disposal of items of property, plant and equipment	10,146
Depreciation of items of property, plant and equipment	178,866
Amortisation of prepaid land lease payments	3,350
Amortisation of coal mining right	1,568

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods	3,968,946	3,945,584
	2013 RMB'000	2012 RMB'000
Other income and gains		
Bank interest income	3,847	4,463
Net profit from sales of by-products	10,747	9,178
Amortisation of deferred grants (note 29)	1,121	1,095
Subsidy income	3,184	12,489
Realised exchange gain	6,865	–
Others	538	1,855
	26,302	29,080

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7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold #		3,221,247	3,225,942
Depreciation of items of property, plant and equipment	15	183,455	178,866
Amortisation of prepaid land lease payments	16	3,844	3,350
Amortisation of coal mining right	18	1,603	1,568
Minimum lease payments under operating leases:			
Land		1,319	1,313
Buildings		1,066	480
		2,385	1,793
Auditors' remuneration		1,322	1,659
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and bonuses		203,336	198,555
Contributions to defined contribution plans		5,667	41,931
Welfare expenses		25,044	14,298
		234,047	254,784
Impairment of an available-for-sale investment *		–	1,004
Unrealised exchange loss, net *		144	706
Loss on disposal of items of property, plant and equipment *		5,191	10,146
Write-down of inventories to net realisable value	21	–	5,410
Write-off of trade receivables		–	43
		–	43

* Included in "Other expenses" disclosed in the consolidated statement of comprehensive income.

Included wages and salaries of RMB34,939,000 (2012: RMB32,271,000) disclosed under employee benefit expenses, depreciation charges of RMB154,976,000 (2012: RMB154,523,000) disclosed under depreciation.

8. FINANCE COSTS

The Group's finance costs are analysed as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans, overdrafts, other loans and bonds, wholly repayable within five years	164,550	90,311
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	–	19,465
Interest on government loans	243	342
	164,793	110,118
Less: Interest capitalised (note 37)	(69,720)	(27,759)
	95,073	82,359

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9. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2013 RMB'000	2012 RMB'000
Fees	800	800
Other emoluments:		
Salaries, allowances and benefits in kind	6,454	8,157
Pension scheme contributions	54	73
	<hr/>	<hr/>
	6,508	8,230
	<hr/>	<hr/>
	7,308	9,030
	<hr/>	<hr/>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013 RMB'000	2012 RMB'000
Ong Kian Guan	300	300
Li Shengxiao	250	250
Ong Wei Jin	250	250
	<hr/>	<hr/>
	800	800
	<hr/>	<hr/>

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2013 (2012: Nil).

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(b) Executive directors and a non-executive director

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses* RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2013					
Executive directors:					
Liu Xingxu	-	873	1,668	27	2,568
Yan Yunhua	-	693	1,250	27	1,970
Li Buwen	-	720	1,250	-	1,970
	-	2,286	4,168	54	6,508
Non-executive director:					
Lian Jie	-	-	-	-	-
	-	2,286	4,168	54	6,508
Year ended 31 December 2012					
Executive directors:					
Liu Xingxu	-	875	2,356	25	3,256
Yan Yunhua	-	696	1,767	24	2,487
Li Buwen	-	696	1,767	24	2,487
	-	2,267	5,890	73	8,230
Non-executive director:					
Lian Jie	-	-	-	-	-
	-	2,267	5,890	73	8,230

* Performance-related bonuses are based on the profit before tax of the Group for each financial year.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2013 (2012: Nil).

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees in the Group for the year included three (2012: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2012: two) non-director, highest paid employees for the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	975	1,038
Performance-related bonuses	520	420
Pension scheme contributions	40	35
	1,535	1,493

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The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2013	2012
Nil to RMB500,000	–	–
RMB500,001 to RMB1,000,000	2	2
	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

During the year, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX

The Company is incorporated in Singapore and is subject to income tax at the rate of 17% (2012: 17%) for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (2012: 25%). In the prior year, one of the subsidiaries was awarded the New/High Tech Enterprise Award as recognition of its innovation and use of state-of-the-art equipment. This award brought this subsidiary a tax concession of a lower income tax rate (i.e., 15%) for the years ended 31 December 2012 and 31 December 2013.

The major components of income tax expense for the financial years ended 31 December 2013 and 2012 are:

Group

	2013 RMB'000	2012 RMB'000
Current – PRC		
Charge for the year	55,767	64,941
Underprovision in respect of prior years	780	1,145
Deferred (note 33)	(4,317)	(5,066)
	<u>52,230</u>	<u>61,020</u>
Total tax charge for the year	<u>52,230</u>	<u>61,020</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge for the year at the effective tax rate is as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	<u>311,623</u>	<u>372,021</u>
Tax at statutory tax rates	79,737	94,291
Expenses not deductible for tax	7,661	8,427
Effect of a tax concession	(37,485)	(40,312)
Adjustments in respect of current tax of previous periods	780	1,145
Recognition of deductible temporary differences previously not recognised	–	(2,618)
Deferred tax not recognised	2,401	–
Others	(864)	87
	<u>52,230</u>	<u>61,020</u>
Tax charge for the year at the effective tax rate	<u>52,230</u>	<u>61,020</u>

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB23,015,000 (2012: RMB13,545,000) which has been dealt with in the financial statements of the Company.

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13. DIVIDEND

	2013 RMB'000	2012 RMB'000
Proposed final dividend – RMB6.00 cents (2012: RMB6.30 cents) per ordinary share	60,000	63,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) of 1,176,000,000 (2012: 1,176,000,000), as adjusted to reflect the convertible bonds issued in 2011.

The calculations of basic and diluted earnings per share are based on the following data:

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	264,052	311,121
	2013 Number of shares	2012 Number of shares
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) for the purpose of calculating basic and diluted earnings per share	1,176,000,000	1,176,000,000

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15. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2013

	Buildings RMB'000	Other fixtures and structures RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 31 December 2012 and 1 January 2013	288,032	406,092	2,244,641	85,137	27,559	826,702	3,878,163
Additions	723	1,191	18,709	14,204	15,557	1,856,938	1,907,322
Transfers	47,671	4,927	66,328	3,251	(1,118)	(121,059)	-
Disposals	(3)	(52)	(12,392)	(731)	(2,072)	-	(15,250)
At 31 December 2013	<u>336,423</u>	<u>412,158</u>	<u>2,317,286</u>	<u>101,861</u>	<u>39,926</u>	<u>2,562,581</u>	<u>5,770,235</u>
Accumulated depreciation:							
At 31 December 2012 and 1 January 2013	41,390	53,963	707,602	44,369	11,814	-	859,138
Depreciation charged for the year	13,297	14,891	137,879	12,858	4,530	-	183,455
Disposals	-	(32)	(5,767)	(505)	(1,457)	-	(7,761)
At 31 December 2013	<u>54,687</u>	<u>68,822</u>	<u>839,714</u>	<u>56,722</u>	<u>14,887</u>	<u>-</u>	<u>1,034,832</u>
Net carrying amount: At 31 December 2013	<u>281,736</u>	<u>343,336</u>	<u>1,477,572</u>	<u>45,139</u>	<u>25,039</u>	<u>2,562,581</u>	<u>4,735,403</u>

Group

31 December 2012

	Buildings RMB'000	Other fixtures and structures RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2012	277,876	386,757	2,182,184	75,688	21,750	282,690	3,226,945
Additions	2,303	18,231	31,954	6,215	5,986	692,628	757,317
Transfers	7,853	1,722	43,350	3,381	1,109	(57,415)	-
Transfers to prepaid land lease payments (note 16)	-	-	-	-	-	(91,201)	(91,201)
Disposals	-	(618)	(12,847)	(147)	(1,286)	-	(14,898)
At 31 December 2012	<u>288,032</u>	<u>406,092</u>	<u>2,244,641</u>	<u>85,137</u>	<u>27,559</u>	<u>826,702</u>	<u>3,878,163</u>
Accumulated depreciation:							
At 1 January 2012	29,099	40,389	574,922	31,711	8,656	-	684,777
Depreciation charged for the year	12,291	13,718	136,163	12,774	3,920	-	178,866
Disposals	-	(144)	(3,483)	(116)	(762)	-	(4,505)
At 31 December 2012	<u>41,390</u>	<u>53,963</u>	<u>707,602</u>	<u>44,369</u>	<u>11,814</u>	<u>-</u>	<u>859,138</u>
Net carrying amount: At 31 December 2012	<u>246,642</u>	<u>352,129</u>	<u>1,537,039</u>	<u>40,768</u>	<u>15,745</u>	<u>826,702</u>	<u>3,019,025</u>

The Group's buildings with an aggregate net carrying amount of RMB281,736,000 (2012: RMB246,642,000) are situated in Mainland China.

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16. PREPAID LAND LEASE PAYMENTS

Group

	Notes	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January		179,133	91,282
Transfer from construction in progress	15	–	91,201
Amortisation during the year	7	(3,844)	(3,350)
Carrying amount at 31 December		175,289	179,133
Current portion included in prepayments	23	(3,843)	(3,843)
Non-current portion		171,446	175,290

The Group's leasehold land is held under medium-term leases and situated in Mainland China where the Group's manufacturing and storage facilities reside. The leasehold land has a remaining tenure from 41 to 48 years (2012: from 42 to 49 years).

17. GOODWILL

Group

	RMB'000
Cost and net carrying amount at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	6,950
At 31 December 2013 and 31 December 2012:	
Cost	6,950
Accumulated impairment	–
Net carrying amount	6,950

Impairment testing of goodwill

Goodwill acquired through a business combination amounting to RMB6,950,000 (2012: RMB6,950,000) has been allocated to the coal mining cash-generating unit for impairment testing.

The recoverable amount of the coal mining cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a 20-year period. The cash flow projections are discounted using the discount rate of 9%.

Assumptions used in the value-in-use calculation

The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the future gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

(ii) Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

(iii) Commodity price inflation

The basis used to determine the value assigned to commodity price inflation is the expectation of future changes in the market.

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(iv) Discount rate

The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. COAL MINING RIGHT

Group

	RMB'000
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	41,955
Additions	880
Amortisation provided during the year (note 7)	(1,603)
	<u>41,232</u>
At 31 December 2013	<u>41,232</u>
At 31 December 2013:	
Cost	44,541
Accumulated amortisation	(3,309)
	<u>41,232</u>
Net carrying amount	<u>41,232</u>
	RMB'000
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	41,763
Additions	1,760
Amortisation provided during the year (note 7)	(1,568)
	<u>41,955</u>
At 31 December 2012	<u>41,955</u>
At 31 December 2012:	
Cost	43,661
Accumulated amortisation	(1,706)
	<u>41,955</u>
Net carrying amount	<u>41,955</u>

19. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
NON-CURRENT		
Unquoted equity investment, at cost:		
PRC	<u>7,500</u>	<u>7,500</u>
CURRENT		
Listed equity investment, at fair value:		
Singapore	<u>8,323</u>	<u>4,701</u>
	2013	2012
	RMB'000	RMB'000
CURRENT		
Listed equity investment, at fair value:		
Singapore	<u>8,323</u>	<u>4,701</u>

The above investments in equity securities were designated as available-for-sale financial assets and have no fixed maturity or coupon rate.

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During the year, the gross gain in respect of the available-for-sale investments recognised in other comprehensive income amounted to RMB3,622,000 (gross loss in 2012: RMB1,004,000) and arose from the equity investment included in current asset. The listed equity investment was classified as a current asset because it is the intention of the directors of the Company to dispose of the investment in the forthcoming year. The market value of the listed equity investment at the date of approval of these financial statements was approximately RMB8,193,000.

The Group also made an investment of RMB7,500,000 in 15% of the unlisted registered capital of 瑪納斯縣碧源供水有限責任公司 (“Biyuan”) which was established to provide water supply and water treatment services and is currently in its startup phase. As at 31 December 2013, the investment in Biyuan was stated at cost less impairment of RMB7,500,000 (2012: RMB7,500,000) because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	1,340,000	1,100,000

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of registration and operations	Nominal value of registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Henan Xinlianxin Fertiliser Co., Ltd.* #	PRC/ Mainland China	RMB1,340,000,000	100%	–	Manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution
Henan Shoulashou Fertiliser Co., Ltd.#@	PRC/ Mainland China	RMB1,000,000	–	100%	Dormant
Xinjiang Xinlianxin Energy Chemical Co., Ltd.#@	PRC/ Mainland China	RMB870,000,000	–	100%	Investment holding
瑪納斯天利煤業有限責任公司 (“Tianli”)#@	PRC/ Mainland China	RMB45,000,000	–	100%	Coal mining and sales of coal
河南農心肥業有限公司 (“Nongxin”)#@	PRC/ Mainland China	RMB15,000,000	–	51%	Manufacturing and trading of compound fertiliser and related products

* The subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

@ These subsidiaries are established in the PRC and registered under PRC law.

The statutory audited financial statements of the subsidiaries for the year ended 31 December 2013 were not audited by Ernst & Young LLP, Singapore or another member firm of the Ernst & Young global network.

On 19 March 2012, the Group entered into an agreement with Sinoagric Chain Co., Ltd. (華農農資連鎖股份有限公司) to establish a joint venture, namely 河南農心肥業有限公司 (“Nongxin”) for a period of fifty years, to manufacture and sell compound fertiliser and related products. Further details of this establishment are included in the Company’s announcement dated 26 March 2012.

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21. INVENTORIES

	Group	
	2013 RMB'000	2012 RMB'000
Statement of financial position:		
Raw materials	131,755	243,444
Parts and spares	27,244	13,518
Work-in-progress	2,657	5,816
Finished goods	99,721	169,588
	261,377	432,366
Profit or loss:		
Inventories recognised as an expense in cost of sales	3,031,332	3,033,738
Write-down of inventories to net realisable value (note 7)	–	5,410
	3,031,332	3,039,148

22. TRADE AND BILLS RECEIVABLES

	Group	
	2013 RMB'000	2012 RMB'000
Trade receivables	9,572	15,520
Bills receivable	3,897	1,740

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's bills receivable are non-interest-bearing and are normally settled on terms of 90 to 180 days. Trade and bills receivables are denominated in RMB.

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2013 RMB'000	2012 RMB'000
Within 1 month	2,152	13,876
1 to 3 months	819	830
3 to 6 months	2,372	469
6 to 12 months	3,990	345
Over 12 months	239	–
	9,572	15,520

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The aged analysis of the Group's trade receivables that are not considered to be impaired is as follows:

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	2,971	14,706
Less than 3 months past due	2,372	469
More than 3 months past due	4,229	345
	<u>9,572</u>	<u>15,520</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2013, the Group endorsed bills receivable accepted by banks in the PRC (the "Endorsed Bills") with aggregate carrying amount of RMB266,141,000 (2012: RMB175,510,000) with maturity from one to six months at the end of the reporting period, to certain of its suppliers for settlement of the trade payables due to these suppliers (the "Endorsement"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, all risks and rewards relating to the Endorsed Bills have been substantially transferred upon the Endorsement. Accordingly, the Group has derecognised the full carrying amounts of the Endorsed Bills and the associated trade payables. The maximum exposure arising from the Group's Continuing Involvement in the Endorsed Bills and the undiscounted cash flows to repurchase these Endorsed Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills are not significant.

During the year ended 31 December 2013, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	2013 RMB'000	2012 RMB'000
Note			
NON-CURRENT			
Prepayments for purchases of items of plant and equipment		687,469	721,626
CURRENT			
Prepayments			
Advanced deposits to suppliers		176,246	129,842
Current portion of prepaid land lease payments	16	3,843	3,843
Other prepayments		6,841	6,945
		<u>186,930</u>	<u>140,630</u>
Deposits and other receivables			
Deposits		340	–
VAT recoverable		182,954	38,223
Others		15,701	10,857
		<u>198,995</u>	<u>49,080</u>
Total prepayments, deposits and other receivables		<u>385,925</u>	<u>189,710</u>

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	Company	
	2013 RMB'000	2012 RMB'000
Prepayments	318	318

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Time deposits	148,961	12,900	–	–
Less:				
Pledged time deposits for bills payable (note 27)	(148,961)	(12,900)	–	–
	–	–	–	–
Cash at banks and on hand	797,813	477,610	5,400	4,587
Cash and cash equivalents	797,813	477,610	5,400	4,587

At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to RMB780,942,000 (2012: RMB424,567,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. DUE FROM/TO A RELATED COMPANY

Balances with related companies are unsecured, interest-free and repayable on demand, except for an amount due to Henan Xinlianxin Chemicals Group Co., Ltd. ("Henan Chemicals") as at 31 December 2012 which bore interest at 5.13% per annum.

The Company and Henan Chemicals have common shareholders and the Company's executive directors and executive officers have certain equity interests in Henan Chemicals.

26. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Within 1 month	66,288	44,495
1 to 3 months	11,115	55,750
3 to 6 months	4,504	4,948
6 to 12 months	2,143	1,941
Over 12 months	4,121	3,639
	88,171	110,773

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Trade payables are denominated in RMB.

27. BILLS PAYABLE

The Group's bills payable had an average maturity period of 90 to 180 days and were interest-free. Bills payable were denominated in RMB and were secured by time deposits of RMB148,961,000 (2012: RMB12,900,000) (note 24).

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28. ACCRUALS AND OTHER PAYABLES

	Group	
	2013 RMB'000	2012 RMB'000
Accruals		
Accrued expenses	87,919	70,404
Accruals for construction costs and purchases of items of property, plant and equipment	264,163	92,646
	352,082	163,050
Other payables		
Advanced purchase deposits from customers	412,020	180,301
VAT and other operating tax payables	5,392	1,562
Tender deposits	34,243	50,863
Others	25,631	26,661
	477,286	259,387
	829,368	422,437

Other payables are non-interest-bearing and have an average term of six months.

29. DEFERRED GRANTS

	Group	
	2013 RMB'000	2012 RMB'000
Cost:		
At beginning of the year	30,700	6,000
Received during the year	11,969	24,700
At end of year	42,669	30,700
Accumulated amortisation:		
At beginning of the year	3,630	2,535
Amortisation during the year	1,121	1,095
At end of year	4,751	3,630
Net carrying amount:		
Current	4,892	3,596
Non-current	33,026	23,474
	37,918	27,070

As at 31 December 2013 and 2012, deferred grants related to government grants were given to the Group for the construction of production plants and installation and building of machinery to implement energy-saving production methods and to reduce production cost. They are amortised over the useful life of the related items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants. During the year, government grants of aggregately RMB11,969,000 (2012: RMB24,700,000) were given to the Group.

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30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Contractual interest rate	2013		Contractual interest rate	2012	
		Maturity	RMB'000		Maturity	RMB'000
CURRENT						
Bank loans						
– secured	6.1% to 7.1%	2014	94,983	–	–	–
– unsecured	6.1% to 7.1%	2014	<u>40,000</u>	5.6% to 6.8%	2013	<u>172,000</u>
NON-CURRENT						
Bank loans						
– unsecured	1.81% to 7.32%	2015 to 2018	2,831,468	1.81% to 7.32%	2014 to 2018	1,672,212
Loan from the government						
– unsecured	Floating rate at 0.3% above the market prime lending rate	2020	6,364	Floating rate at 0.3% above the market prime lending rate	2020	7,273
			<u>2,837,832</u>			<u>1,679,485</u>
			<u>2,972,815</u>			<u>1,851,485</u>

Company

	Contractual interest rate	2013		Contractual interest rate	2012	
		Maturity	RMB'000		Maturity	RMB'000
CURRENT						
Bank loans						
– unsecured	6.1% to 7.1%	2014	<u>94,983</u>	–	–	<u>–</u>

	Group	
	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	134,983	172,000
In the second year	1,240,756	965,212
In the third to fifth years, inclusive	1,590,712	247,000
Beyond five years	–	460,000
	<u>2,966,451</u>	<u>1,844,212</u>
Other borrowings repayable:		
Beyond five years	6,364	7,273
	<u>2,972,815</u>	<u>1,851,485</u>

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	Company	
	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	94,983	–

Notes:

- (a) *Bank loan of RMB94,983,000 is secured by pledged deposits of the Group.*
- (b) *Except for two unsecured bank loans amounting to RMB355,739,000 (2012: RMB268,212,000) which are denominated in United States dollars ("USD"), all borrowings are in RMB.*

31. SHORT-TERM BOND PAYABLE

On 10 May 2012, Henan Xinlianxin Fertiliser Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB300,000,000 to a number of financial institutions with China Minsheng Banking Corp., Ltd. as the principal underwriter, with a maturity period of one year and a fixed interest rate of 5.7% per annum. The principal and the interest were repaid on 11 May 2013 which was then renewed and the principal and the interest will be repaid at the end of the term on 11 May 2014.

32. CONVERTIBLE BONDS

On 21 December 2011, the Company issued RMB denominated convertible bonds with a nominal value of RMB324,366,000. There was no movement during the year. The bonds are convertible into ordinary shares of the Company at the option of the bondholder at the initial conversion price of approximately RMB1.84 per share anytime after the issuance of the convertible bonds. While the convertible bonds bear interest at 4.5% per annum, the Company may, at its sole discretion, elect to defer the interest pursuant to the terms of the convertible bonds.

Unless previously redeemed, purchased and cancelled or converted, all the convertible bonds outstanding shall be converted into ordinary shares of the Company on the fifth anniversary of the date of issue. The convertible bonds are redeemable at the option of the holder of convertible bonds only upon the occurrence of a winding-up (any step taken by any person at the sole election of the Company (not under direction of any third party, including judicial or regulatory) with a view to the voluntary winding-up or dissolution or administration of any group companies (including but not limited to a members' voluntary solvent winding-up), or any group companies cease or threaten to cease to carry on all or substantially all of its business or operations) at a redemption price which shall be equivalent to the aggregate of the outstanding principal amount of the convertible bonds together with a redemption premium of 8.0% per annum on the outstanding principal amount, up to the date fixed for redemption.

In the opinion of the directors, the Company is able to defer or control the redemption of the principal, the payment of bond interest and other cash payments to the bondholder. Accordingly, the convertible bonds are classified as equity instruments.

During the year, bond interest of RMB14,596,000 (2012: RMB15,036,000) was accrued of which RMB14,596,000 (2012: RMB14,596,000) was paid to the bondholder.

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33. DEFERRED TAX

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary (note a) RMB'000	Withholding tax (note b) RMB'000	Total RMB'000
At 1 January 2012	9,760	46,459	56,219
Payment during the year	–	(4,778)	(4,778)
Deferred tax credited to profit or loss during the year (note 11)	(360)	–	(360)
At 31 December 2012 and at 1 January 2013	9,400	41,681	51,081
Payment during the year	–	(505)	(505)
Deferred tax credited to profit or loss during the year (note 11)	(360)	–	(360)
At 31 December 2013	<u>9,040</u>	<u>41,176</u>	<u>50,216</u>

Deferred tax assets

	Deductible temporary differences RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	4,706
Deferred tax credited to profit or loss during the year (note 11)	3,957
At 31 December 2013	<u>8,663</u>

Notes:

- (a) *Deferred tax liabilities arising from fair value adjustments arising from acquisition of a subsidiary represented the deferred tax liabilities on the fair value uplift of the coal mining right owned by the subsidiary, 瑪納斯天利煤業有限責任公司 ("Tianli"), arising from its acquisition in 2011, and are credited to profit or loss over the estimated useful life of the coal mining right of approximately 27 years.*
- (b) *Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group made provision for deferred tax liabilities on withholding tax at 5% of the forecasted dividend payout of the earnings of all its PRC subsidiaries because the directors believe that the PRC subsidiaries would not pay out all their earnings as dividends.*

34. LONG-TERM BOND PAYABLE

On 30 July 2013, the Group and the Company issued a RMB bond in an aggregate amount of RMB250,000,000 (the "RMB bond"). The RMB bond has a maturity term of two years and bears a fixed interest rate of 8.5% per annum with interest payable semi-annually in arrears.

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35. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2013	2012	2013 RMB'000	2012 RMB'000
Issued and fully paid	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>836,671</u>	<u>836,671*</u>

* Equivalent to Singapore dollars ("SGD") 165,677,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

36. RESERVES

The amounts of the Group's and the Company's reserves and the movements therein for the years ended 31 December 2013 and 2012 are presented in the statements of changes in equity.

In accordance with the Wholly Foreign Owned Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriations to the Statutory Reserve Fund (the "SRF"). At least 10% of the after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction – interest capitalisation

During the year, the Group capitalised interest expenses of RMB69,720,000 (2012: RMB27,759,000) to property, plant and equipment (note 8).

38. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

39. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had outstanding operating lease agreements for buildings, and plant and machinery in Mainland China. Future minimum rentals payable of the Group under non-cancellable operating leases at the end of the reporting period are as follows:

	2013 RMB'000	2012 RMB'000
Within one year	74,672	19,420
In the second to fifth years, inclusive	224,945	297,956
After five years	30,784	32,105
	<u>330,401</u>	<u>349,481</u>

The Company had no operating lease arrangements as at 31 December 2013 and 2012.

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40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital and other commitments at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Capital commitments		
Contracted, but not provided for:		
Buildings	380,379	223,396
Plant and machinery	1,144,582	978,518
Coal mines	51,849	–
	<hr/> 1,576,810	<hr/> 1,201,914
Authorised, but not contracted for:		
Plant and machinery	<hr/> 1,344,000	<hr/> 2,689,163
	<hr/> 2,920,810	<hr/> 3,891,077
Other commitments		
Purchases of raw materials	<hr/> 499	<hr/> 2,078

The Company had no material commitments as at 31 December 2013 and 2012.

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41. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	2013 RMB'000	2012 RMB'000
Sales of electricity, water and steam to: *	(i)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1,484	1,200
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	8,976
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		63	48
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		146	205
– Xinxiang Yuyuan Chemical Co., Ltd. #		696	604
– Xinxiang Xinlianxin Hotel Co., Ltd. #		266	219
		<u>266</u>	<u>219</u>
Service fee income for provision of calibration and testing services to:	(ii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		54	42
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	7
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		9	23
– Xinxiang Yuyuan Chemical Co., Ltd. #		57	45
– Xinxiang Xinlianxin Hotel Co., Ltd. #		1	1
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		2	–
		<u>2</u>	<u>–</u>
Purchases of raw materials and consumables from:	(iii)		
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	186
		<u>–</u>	<u>186</u>
Purchases of items of property, plant and equipment from:	(iv)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		16,923	11,493
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1	2
		<u>1</u>	<u>2</u>
Service fee expenses for provision of lifting services from:	(v)		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		4,602	3,715
		<u>4,602</u>	<u>3,715</u>
Operating lease expenses to:	(vi)		
– Henan Chemicals		1,066	480
		<u>1,066</u>	<u>480</u>
Catering and accommodation expenses to:	(vii)		
– Xinxiang Xinlianxin Hotel Co., Ltd. #		4,088	4,459
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #		994	662
		<u>994</u>	<u>662</u>

These companies are subsidiaries of Henan Chemicals, which has common shareholders with the Company. The Company's executive directors and executive officers have certain equity interests in Henan Chemicals. Xinxiang Xinlianxin Gas Products Co., Ltd. ceased to be a related party of the Group since Henan Chemicals disposed of it in October 2012, therefore, the table above only includes transactions with Xinxiang Xinlianxin Gas Products Co., Ltd. before the disposal.

* The amounts represent gross sales of by-products. Profit generated from these sales amounting to RMB707,000 (2012: RMB3,175,000) is included in net profit from sales of by-products (note 6).

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Notes:

- (i) *The sale of electricity was made according to the unit cost of electricity announced by the Henan Province Development and Reform Committee (河南省發展和改革委員會). The sales of water and steam were made according to a mark-up of approximately 36% above cost (2012: approximately 41% above cost).*
- (ii) *The service fee income was received according to mutually agreed terms with reference to the actual costs incurred.*
- (iii) *The purchases of raw materials and consumables were charged based on the published prices and conditions offered to third parties by the related party.*
- (iv) *The purchases of items of property, plant and equipment were charged based on the published prices and conditions offered to third parties by the related parties.*
- (v) *The service fee expenses for the provision of lifting services were charged based on mutually agreed terms with reference to the actual costs incurred.*
- (vi) *The operating lease expenses for the year were charged at a fixed monthly amount of RMB88,000 (2012: RMB40,000).*
- (vii) *The catering and accommodation expenses were charged based on mutually agreed terms with reference to the actual costs incurred.*

The related party transactions above constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- (b) Compensation of directors and key management personnel of the Group:

	2013 RMB'000	2012 RMB'000
Directors' fees	800	800
Salaries and bonuses	9,860	11,750
Contributions to defined contribution plans	148	207
	<u>10,808</u>	<u>12,757</u>
Comprise amounts paid to:		
– Directors of the Company	7,308	9,030
– Other key management personnel	3,500	3,727
	<u>10,808</u>	<u>12,757</u>

Further details of the directors' remuneration are included in note 9 to these financial statements.

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42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

	Notes	Loans and receivables RMB'000	2013 Available- for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	2012 Available- for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	19	–	15,823	15,823	–	12,201	12,201
Due from a related company	25	1,907	–	1,907	1,760	–	1,760
Trade receivables	22	9,572	–	9,572	15,520	–	15,520
Bills receivable	22	3,897	–	3,897	1,740	–	1,740
Deposits and other receivables	23	198,995	–	198,995	49,080	–	49,080
Pledged deposits	24	148,961	–	148,961	12,900	–	12,900
Cash and cash equivalents	24	797,813	–	797,813	477,610	–	477,610
		<u>1,161,145</u>	<u>15,823</u>	<u>1,176,968</u>	<u>558,610</u>	<u>12,201</u>	<u>570,811</u>

Financial liabilities

	Notes	Financial liabilities at amortised cost	
		2013 RMB'000	2012 RMB'000
Due to a related company	25	–	135
Trade payables	26	88,171	110,773
Bills payable	27	260,143	25,800
Financial liabilities included in accruals and other payables	28	417,348	242,136
Interest-bearing bank and other borrowings	30	2,972,815	1,851,485
Short-term bond payable	31	300,000	300,000
Other payables		398	–
Long-term bond payable	34	250,000	–
		<u>4,288,875</u>	<u>2,530,329</u>

Company

Financial assets

	Note	Loans and receivables	
		2013 RMB'000	2012 RMB'000
Due from a subsidiary		230,938	132,938
Cash and cash equivalents	24	5,400	4,587
		<u>236,338</u>	<u>137,525</u>

	Note	Available-for-sale financial assets	
		2013 RMB'000	2012 RMB'000
Available-for-sale investment	19	8,323	4,701

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Financial liabilities

	Note	Financial liabilities at amortised cost	
		2013 RMB'000	2012 RMB'000
Accruals and other payables		16,260	19,819
Long-term bond payable	34	250,000	–
		<u>266,260</u>	<u>19,819</u>

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets				
Available-for-sale investment	<u>8,323</u>	<u>4,701</u>	<u>8,323</u>	<u>4,701</u>
Financial liabilities				
Interest-bearing bank and other borrowings	2,972,815	1,851,485	2,972,815	1,851,485
Short-term bond payable	300,000	300,000	300,000	300,000
Long-term bond payable	250,000	–	250,000	–
	<u>3,522,815</u>	<u>2,151,485</u>	<u>3,522,815</u>	<u>2,151,485</u>

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial asset				
Available-for-sale investment	<u>8,323</u>	<u>4,701</u>	<u>8,323</u>	<u>4,701</u>
Financial liability				
Long-term bond payable	<u>250,000</u>	<u>–</u>	<u>250,000</u>	<u>–</u>

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, bills receivable, deposits and other receivables, amounts due from/to related companies, trade and bills payables, financial liabilities included in other payables and accruals and an amount due from a subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of the interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

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The fair value of the listed equity investment is determined by direct reference to its price quotation in an active market at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

Group and Company

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	8,323

As at 31 December 2012

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	4,701

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2012: Nil).

Liability measured at fair value:

The Group and the Company had no financial liabilities measured at fair value as at 31 December 2013 and 2012.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the chief financial officer and finance manager.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets such as cash and cash equivalents, bills receivable and deposits and other receivables, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that the majority of customers who wish to trade are required to pay cash on delivery or in advance before collecting any goods. A minority of customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

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Credit risk concentration profile

The Group assesses concentration of credit risk by monitoring on an on-going basis the aged analysis of its trade receivables. There are no significant concentrations of credit risk within the Group. At 31 December 2013, none of the Group's trade receivables (2012: Nil) were due from its top 10 customers.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

	Within 1 year or on demand RMB'000	1 to 3 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
31 December 2013					
Trade payables	88,171	–	–	–	88,171
Bills payable	260,143	–	–	–	260,143
Financial liabilities included in accruals and other payables	417,347	–	–	–	417,347
Interest-bearing bank and other borrowings	115,428	1,468,714	1,587,974	–	3,172,116
Short-term bond payable	307,729	–	–	–	307,729
Other payable	398	–	–	–	398
Long-term bond payable	21,250	271,250	–	–	292,500
	<u>1,210,466</u>	<u>1,739,964</u>	<u>1,587,974</u>	<u>–</u>	<u>4,538,404</u>
31 December 2012					
Due to a related company	135	–	–	–	135
Trade payables	110,773	–	–	–	110,773
Bills payable	25,800	–	–	–	25,800
Financial liabilities included in accruals and other payables	242,136	–	–	–	242,136
Interest-bearing bank and other borrowings	179,054	1,046,828	320,455	643,530	2,189,867
Short-term bond payable	317,100	–	–	–	317,100
	<u>874,998</u>	<u>1,046,828</u>	<u>320,455</u>	<u>643,530</u>	<u>2,885,811</u>
Company					
31 December 2013					
Accruals and other payables	16,260	–	–	–	16,260
Long-term bond payable	21,250	271,250	–	–	292,500
	<u>37,510</u>	<u>271,250</u>	<u>–</u>	<u>–</u>	<u>308,760</u>
31 December 2012					
Accruals and other payables	19,819	–	–	–	19,819

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

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Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets and liabilities, the Group has determined the carrying amounts of cash and short-term deposits based on their notional amounts, which reasonably approximate to their fair values because these are mostly short-term in nature or are repriced frequently. For interest-bearing bank and other borrowings, a change in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase in basis points	2013 RMB'000	2012 RMB'000
Interest expense			
RMB	10	(2,363)	(1,252)
USD	10	(222)	(228)
Interest income			
RMB	10	790	361
USD	50	70	277
		<u>70</u>	<u>277</u>

(d) Foreign currency risk

The Group holds cash and cash equivalents and interest-bearing bank borrowing denominated in foreign currencies for working capital purposes. At the end of the reporting period, these foreign currency net assets/(liabilities) (mainly in SGD, USD and Hong Kong dollars ("HKD")) are as follows:

	2013 RMB'000	2012 RMB'000
SGD	136	392
USD	(339,306)	(202,984)
HKD	–	322
	<u>(339,170)</u>	<u>(202,270)</u>

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, USD and HKD exchange rates (against RMB), with all other variables held constant, on the Group's profit, net of tax and equity.

		2013 RMB'000	2012 RMB'000
SGD	– strengthened 5% (2012: 5%)	8	20
	– weakened 5% (2012: 5%)	(8)	(20)
USD	– strengthened 2% (2012: 2%)	(6,781)	(4,060)
	– weakened 2% (2012: 2%)	6,781	4,060
HKD	– strengthened 1% (2012: 1%)	–	3
	– weakened 1% (2012: 1%)	–	(3)
		<u>–</u>	<u>(3)</u>

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45. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

As disclosed in note 36, subsidiaries of the Group are required by the Wholly Foreign Owned Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 90%.

	2013 RMB'000	2012 RMB'000
Due to a related company	–	135
Trade payables	88,171	110,773
Bills payable	260,143	25,800
Accruals and other payables	829,368	422,437
Interest-bearing bank and other borrowings	2,972,815	1,851,485
Short-term bond payable	300,000	300,000
Other payables	398	–
Long-term bond payable	250,000	–
Less: Cash and cash equivalents	(797,813)	(477,610)
Less: Pledged deposits	(148,961)	(12,900)
	<hr/>	<hr/>
Net debt	3,754,121	2,220,120
	<hr/>	<hr/>
Equity attributable to owners of the parent	2,511,280	2,321,202
Less: Statutory reserve fund	(199,295)	(167,873)
	<hr/>	<hr/>
Total capital	2,311,985	2,153,329
	<hr/>	<hr/>
Capital and net debt	6,066,106	4,373,449
	<hr/>	<hr/>
Gearing ratio	61.9%	50.8%
	<hr/>	<hr/>

Net debt includes interest-bearing bank and other borrowings, short-term and long-term bonds payable, trade and bills payables, amounts due to related companies, accruals and other payables, less cash and cash equivalents, and pledged deposits. Capital includes equity attributable to owners of the parent less the above-mentioned restricted statutory reserve fund.

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46. RECONCILIATION BETWEEN SFRSS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

For the years ended 31 December 2013 and 2012, there were no material differences between the consolidated statements of comprehensive income of the Group prepared under SFRSs and IFRSs.

The differences between the consolidated statements of financial position and the consolidated statements of changes in equity of the Group as at 31 December 2013 and 2012 prepared under SFRSs and IFRSs are as follows:

	Note	Issued capital RMB'000	Convertible bonds RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 31 December 2013									
Total equity under SFRSs		836,671	322,436	3,622	199,295	1,089,256	60,000	2,571	2,513,851
Share issue expenses	(i)	44,453	-	-	-	(44,453)	-	-	-
Total equity under IFRSs		<u>881,124</u>	<u>322,436</u>	<u>3,622</u>	<u>199,295</u>	<u>1,044,803</u>	<u>60,000</u>	<u>2,571</u>	<u>2,513,851</u>
As at 31 December 2012									
Total equity under SFRSs		836,671	322,436	-	167,873	931,222	63,000	7,230	2,328,432
Share issue expenses	(i)	44,453	-	-	-	(44,453)	-	-	-
Total equity under IFRSs		<u>881,124</u>	<u>322,436</u>	<u>-</u>	<u>167,873</u>	<u>886,769</u>	<u>63,000</u>	<u>7,230</u>	<u>2,328,432</u>

Note:

(i) *The difference is caused by the deduction from equity of share issue expenses relating to the listing of both new shares and existing shares in accordance with the Recommended Accounting Practice in Singapore while IFRSs require share issue expenses to be allocated to new shares and existing shares and charged to equity and profit or loss, respectively.*

The difference is brought forward from the listing of shares in 2009 and there is no difference between SFRSs and IFRSs thereafter.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 February 2014.

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FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS					
REVENUE	3,968,946	3,945,584	3,688,233	2,851,403	2,329,607
Cost of sales	<u>(3,221,247)</u>	<u>(3,225,942)</u>	<u>(3,181,860)</u>	<u>(2,487,342)</u>	<u>(2,014,212)</u>
Gross profit	747,699	719,642	506,373	364,061	315,395
Other income and gains	26,302	29,080	23,986	16,664	11,661
Selling and distribution expenses	(82,242)	(69,462)	(70,500)	(38,686)	(16,902)
General and administrative expenses	(275,984)	(202,493)	(136,059)	(104,150)	(110,536)
Other expenses	(9,079)	(22,387)	(20,025)	(8,461)	(11,587)
Finance costs	<u>(95,073)</u>	<u>(82,359)</u>	<u>(78,930)</u>	<u>(53,447)</u>	<u>(36,522)</u>
PROFIT BEFORE TAX	311,623	372,021	224,845	175,981	151,509
Income tax expense	<u>(52,230)</u>	<u>(61,020)</u>	<u>(44,337)</u>	<u>(31,410)</u>	<u>(32,285)</u>
PROFIT FOR THE YEAR	<u>259,393</u>	<u>311,001</u>	<u>180,508</u>	<u>144,571</u>	<u>119,224</u>
Attributable to:					
Owners of the parent	264,052	311,121	180,508	144,571	119,224
Non-controlling interest	<u>(4,659)</u>	<u>(120)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>259,393</u>	<u>311,001</u>	<u>180,508</u>	<u>144,571</u>	<u>119,224</u>
ASSETS AND LIABILITIES					
TOTAL ASSETS	7,302,884	5,117,217	4,187,695	3,195,356	2,910,557
TOTAL LIABILITIES	<u>(4,789,033)</u>	<u>(2,788,785)</u>	<u>(2,126,018)</u>	<u>(1,605,866)</u>	<u>(1,435,914)</u>
	<u>2,513,851</u>	<u>2,328,432</u>	<u>2,061,677</u>	<u>1,589,490</u>	<u>1,474,643</u>

**APPENDIX VI: UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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STATEMENT BY DIRECTORS

We, Liu Xingxu and Yan Yunhua, being the two of the directors of China XLX Fertiliser Ltd., do hereby state that, in the opinion of the directors,

- (i) the accompanying condensed consolidated statement of financial position, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of China XLX Fertiliser Ltd. and its subsidiaries as at 31 March 2014 and the results of the business, changes in equity and cash flows of China XLX Fertiliser Ltd. and its subsidiaries for the three months ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that China XLX Fertiliser Ltd. and its subsidiaries will be able to pay their debts as and when they fall due.

On behalf of the board of directors:

Liu Xingxu
Director

Yan Yunhua
Director

30 May 2014

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the board of directors of

China XLX Fertiliser Ltd.

(Incorporated in Singapore with limited liability)

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim financial information set out on pages 3 to 23 which comprises the condensed consolidated statement of financial position of China XLX Fertiliser Ltd. and its subsidiaries at 31 March 2014, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months ended 31 March 2014, and explanatory information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with Singapore Financial Reporting Standards ("SFRS") 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with SFRS 34.

OTHER MATTER

We draw attention to the fact that the comparative condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months ended 31 March 2013 and the relevant explanatory information disclosed in the condensed consolidated interim financial information have not been reviewed in accordance with ISRE 2410.

Ernst & Young LLP

Public Accountants and Chartered Accountants

Singapore

30 May 2014

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR
LOSS AND OTHER COMPREHENSIVE INCOME**

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	4	1,269,632	1,005,501
Cost of sales		<u>(1,048,441)</u>	<u>(774,826)</u>
Gross profit		221,191	230,675
Other income, net	4	3,751	628
Selling and distribution expenses		(43,699)	(17,998)
General and administrative expenses		(72,175)	(63,446)
Finance costs	5	<u>(51,121)</u>	<u>(16,445)</u>
PROFIT BEFORE TAX	6	57,947	133,414
Income tax expense	7	<u>(10,688)</u>	<u>(21,488)</u>
PROFIT FOR THE PERIOD		<u>47,259</u>	<u>111,926</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent period:			
Available-for-sale investment:			
Change in fair value		<u>45</u>	<u>1,291</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>45</u>	<u>1,291</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>47,304</u>	<u>113,217</u>
Profit attributable to:			
Owners of the Parent		48,209	112,234
Non-controlling interest		<u>(950)</u>	<u>(308)</u>
		<u>47,259</u>	<u>111,926</u>

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	Notes	Three months ended 31 March	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Total comprehensive income attributable to:			
Owners of the Parent		48,254	113,525
Non-controlling interest		(950)	(308)
		<u>47,304</u>	<u>113,217</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents per share)	9	<u>4.10</u>	<u>9.54</u>

Details of the dividend paid and proposed for the period are disclosed in note 8 to the condensed consolidated interim financial information.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,186,371	4,735,403
Prepaid land lease payments		170,486	171,446
Goodwill		6,950	6,950
Coal mining right		40,822	41,232
Prepayments for purchases of items of plant and equipment	11	738,359	687,469
Available-for-sale investment	12	7,500	7,500
Deferred tax assets		8,663	8,663
Prepayments to related companies		3,151	–
Total non-current assets		6,162,302	5,658,663
CURRENT ASSETS			
Prepayments	11	202,646	186,930
Deposits and other receivables	11	213,940	198,995
Available-for-sale investment	12	8,368	8,323
Inventories		268,869	261,377
Trade receivables	13	21,879	9,572
Bills receivable	13	23,661	3,897
Income tax recoverable		25,694	26,446
Pledged deposits	14	213,885	148,961
Cash and cash equivalents	14	378,221	797,813
Due from a related company		–	1,907
Total current assets		1,357,163	1,644,221
CURRENT LIABILITIES			
Trade payables	15	92,708	88,171
Bills payable		349,761	260,143
Accruals and other payables		827,291	829,368
Income tax payable		4	4
Deferred grants		4,556	4,892
Interest-bearing bank and other borrowings	16	356,545	134,983
Short-term bond payable		300,000	300,000
Total current liabilities		1,930,865	1,617,561
NET CURRENT ASSETS/(LIABILITIES)		(573,702)	26,660
TOTAL ASSETS LESS CURRENT LIABILITIES		5,588,600	5,685,323

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	Notes	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables		397	398
Deferred grants		36,743	33,026
Interest-bearing bank and other borrowings	16	2,690,179	2,837,832
Deferred tax liabilities		50,126	50,216
Long-term bond payable		250,000	250,000
		<hr/>	<hr/>
Total non-current liabilities		3,027,445	3,171,472
		<hr/>	<hr/>
Net assets		2,561,155	2,513,851
		<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		836,671	836,671
Convertible bonds		326,035	322,436
Revaluation reserve		3,667	3,622
Statutory reserve fund		205,760	199,295
Retained profits		1,127,401	1,089,256
Proposed final dividend		60,000	60,000
		<hr/>	<hr/>
		2,559,534	2,511,280
		<hr/>	<hr/>
Non-controlling interest		1,621	2,571
		<hr/>	<hr/>
Total equity		2,561,155	2,513,851
		<hr/> <hr/>	<hr/> <hr/>

**APPENDIX VI: UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

Group

	Attributable to owners of the Company								
	Issued capital RMB'000	Convertible bonds RMB'000	Available- for- sale investment revaluation reserve RMB'000	Statutory reserve fund # RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
(Unaudited)									
At 1 January 2014	836,671	322,436	3,622	199,295	1,089,256	60,000	2,511,280	2,571	2,513,851
Profit for the period	-	-	-	-	48,209	-	48,209	(950)	47,259
Other comprehensive income for the period:									
Change in fair value of an available-for-sale investment	-	-	45	-	-	-	45	-	45
Total comprehensive income for the period	-	-	45	-	48,209	-	48,254	(950)	47,304
Transfer to statutory reserve fund	-	-	-	6,465	(6,465)	-	-	-	-
Interest on convertible bonds	-	3,599	-	-	(3,599)	-	-	-	-
At 31 March 2014	<u>836,671</u>	<u>326,035</u>	<u>3,667</u>	<u>205,760</u>	<u>1,127,401</u>	<u>60,000</u>	<u>2,559,534</u>	<u>1,621</u>	<u>2,561,155</u>
(Unaudited)									
At 1 January 2013	836,671	322,436	-	167,873	931,222	63,000	2,321,202	7,230	2,328,432
Profit for the period	-	-	-	-	112,234	-	112,234	(308)	111,926
Other comprehensive income for the year:									
Change in fair value of an available-for-sale investment	-	-	1,291	-	-	-	1,291	-	1,291
Total comprehensive income for the year	-	-	1,291	-	112,234	-	113,525	(308)	113,217
Interest on convertible bonds	-	3,599	-	-	(3,599)	-	-	-	-
At 31 March 2013	<u>836,671</u>	<u>326,035</u>	<u>1,291</u>	<u>167,873</u>	<u>1,039,857</u>	<u>63,000</u>	<u>2,434,727</u>	<u>6,922</u>	<u>2,441,649</u>

Pursuant to the relevant laws and regulations in The People's Republic of China (the "PRC"), this portion of the profits of the Group's wholly-owned foreign enterprise has been transferred to a statutory reserve fund, which is restricted as to use.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014

	Note	Three months ended 31 March	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash flows from/(used in) operating activities		(12,245)	159,127
Net cash flows used in investing activities		(481,256)	(354,088)
Net cash flows from financing activities		73,909	229,351
		<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(419,592)	34,390
Cash and cash equivalents at beginning of period		797,813	477,610
		<u> </u>	<u> </u>
Cash and cash equivalents at end of period		<u>378,221</u>	<u>512,000</u>
		<u> </u>	<u> </u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand	14	<u>378,221</u>	<u>512,000</u>

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2014

1. CORPORATE INFORMATION

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are dual primary listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898. The principal place of business of the Group is located at the Xinxiang High Technology Development Zone, West Zone, Henan Province, the People's Republic of China (the "PRC"). The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiaries are the manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution, and sales of coal.

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with Singapore Financial Reporting Standard ("SFRS") 34 "Interim Financial Reporting" issued by the Singapore Accounting Standards Council and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant regulations of the SGX-ST.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information of the Group are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2013, except for the adoption of the following new and revised SFRSs for the first time for the current period's condensed consolidated interim financial information.

- Revised FRS 27 *Separate Financial Statements*
- Revised FRS 28 *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 32 *Offsetting of Financial Assets and Financial Liabilities*
- Amendments to FRS 110 *Consolidated Financial Statements*
- Amendments to FRS 111 *Joint Arrangements*
- Amendments to FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 27 *Separate Financial Statements*
- Amendments to FRS 28 *Investments in Associates and Joint Ventures*
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements* and FRS 112 *Disclosure of Interests in Other Entities* – *Transition Guidance*
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities* and FRS 27 *Separate Financial Statements* - *Investment Entities*
- Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets*
- Amendments to FRS 39 *Financial Instruments: Recognition and Measurement* - *Novation of Derivatives and Continuation of Hedge Accounting*
- INT FRS 121 *Levies*

The adoption of these standards and interpretation did not have material effect on the results and financial position of the financial statements, or their presentation.

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3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products, and has three reportable operating segments as follows:

(i) Urea

Urea is a neutral nitrogen-based fertiliser which is suitable for various crops and land. It does not leave any residue in the soil, and provides nitrogen to crops and serves as a raw material for agricultural fertilisers, plastic, resin, coating materials and pharmaceutical industries.

(ii) Compound fertiliser

Compound fertiliser is a type of round, hard, granulated fertiliser and has various distinctive characteristics such as high concentration, high absorption rate by crops, and enhancement of resistance of crops to diseases, insects, droughts and lodges. The use of compound fertiliser generally improves the quality of crops and the productivity of the land. It can be used as ground fertiliser or added fertiliser and is suitable for the growing of wheat, paddy, corn, peanuts, tobacco, fruit trees, vegetables and cotton.

(iii) Methanol

Methanol is a colourless, tasteless, highly volatile, and flammable toxic liquid alcohol. It is an important organic chemical raw material which is mainly used to produce formaldehyde, which is a vital raw material for producing various kinds of resin. Methanol is also a good fuel and has been used as an energy resource in some power stations. Methanol is also widely used in the industrial production of synthetic fibre, plastic, pharmaceutical, pesticides, dye and synthetic protein.

In addition to the three main operating segments, the Group is involved in the production of liquid ammonia and ammonia solution. In addition, the Group had acquired a subsidiary that is engaged in the sale of coal in November 2011. However, in the opinion of the directors, there were only limited operations in this subsidiary after the acquisition by the Group and the assets and liabilities were not material for the purpose of segment reporting. Accordingly, a separate operating segment for the coal mining business carried out by the new subsidiary has not been presented.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated interim financial information. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Allocation basis

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, other expenses, selling and distribution expenses, general and administrative expenses, finance costs and income tax expense.

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Except for the assets and liabilities of the subsidiary acquired in November 2011 as mentioned above which were not material for the purpose of segment reporting, assets of the Group are utilised interchangeably between different segments and there is no reasonable basis to allocate liabilities of the Group between the different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

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For the three months ended 31 March 2014

	Urea RMB'000 (Unaudited)	Compound fertiliser RMB'000 (Unaudited)	Methanol RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE						
Sales to external customers	787,914	275,172	202,554	3,992	–	1,269,632
Intersegment sales	66,895	7,298	496	–	(74,689)	–
Total revenue	854,809	282,470	203,050	3,992	(74,689)	1,269,632
Segment profit	129,078	42,529	49,257	327	–	221,191
Interest income						2,148
Unallocated expenses, net						(114,271)
Finance costs						(51,121)
Profit before tax						57,947
Income tax expense						(10,688)
Net profit attributable to owners of the parent						47,259

For the three months ended 31 March 2013

	Urea RMB'000 (Unaudited)	Compound fertiliser RMB'000 (Unaudited)	Methanol RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
REVENUE						
Sales to external customers	645,980	234,810	122,827	1,884	–	1,005,501
Intersegment sales	76,360	–	–	1,214	(77,574)	–
Total revenue	722,340	234,810	122,827	3,098	(77,574)	1,005,501
Segment profit/(loss)	185,396	38,274	6,755	250	–	230,675
Interest income						831
Unallocated expenses, net						(81,647)
Finance costs						(16,445)
Profit before tax						133,414
Income tax expense						(21,488)
Net profit attributable to owners of the parent						111,926

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4. REVENUE AND OTHER INCOME, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and other expenses is as follows:

	Three months ended 31 March	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
<u>Revenue</u>		
Sale of goods	1,269,632	1,005,501
<u>Other income</u>		
Bank interest income	2,148	831
Net profit from sales of by-products	3,031	1,368
Amortisation of deferred grants	531	124
Compensation income	31	260
Subsidy income	4,095	–
Others	–	150
	9,836	2,733
<u>Other expenses</u>		
Loss on disposal of items of property, plant and equipment	451	1,575
Exchange loss, net	5,273	–
Others	361	530
	6,085	2,105
Other income, net	3,751	628

5. FINANCE COSTS

	Three months ended 31 March	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	51,121	25,518
Less: interest capitalised	–	(9,073)
	51,121	16,445

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6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Three months ended 31 March	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cost of inventories sold	1,048,441	774,826
Depreciation of items of property, plant and equipment	71,891	45,058
Amortisation of prepaid land lease payments	960	961
Amortisation of coal mining right	410	395
Minimum lease payments under operating leases:		
Land	232	230
Buildings	560	560
	792	790
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	74,342	60,542
Contributions to defined contribution plans	3,795	2,618
Welfare expenses	4,295	3,069
	82,432	66,229
Auditors' remuneration	375	302
Unrealised exchange loss, net	5,273	–
Loss on disposal of items of property, plant and equipment	451	1,575
	792	790

7. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the three months ended 31 March 2014 (three months ended 31 March 2013: 17%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

For the three months ended 31 March 2014 and 31 March 2013, one of the subsidiaries was subject to a concessionary tax rate of 15.0% as it obtained the New/High Technology award.

The major components of income tax expense for the three months ended 31 March 2014 and 31 March 2013 are:

	Three months ended 31 March	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current – PRC		
Charge for the period and total tax charge for the period	10,778	21,488
Deferred	(90)	–
	10,688	21,488
	10,688	21,488

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8. DIVIDENDS

Final dividend of RMB60,000,000 (year ended 31 December 2012: RMB63,000,000) for the year ended 31 December 2013 was declared during the three months ended 31 March 2014 and will be paid in May 2014.

The Company did not recommend or declare any interim dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the Company by the weighted average number of 1,176,000,000 (three months ended 31 March 2013: 1,176,000,000) ordinary shares (inclusive of mandatorily convertible instruments issued during the period) outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the three months ended 31 March 2014 and 2013 and therefore the diluted earnings per share amounts for those periods were the same as the basic earnings per share amounts.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, payments for purchases of items of property, plant and equipment of the Group amounted to approximately RMB416,332,000 (three months ended 31 March 2013: RMB354,088,000).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT		
Prepayments for purchases of items of plant and equipment	738,359	687,469
CURRENT		
Prepayments	202,646	186,930
Deposits and other receivables	213,940	198,995

12. AVAILABLE-FOR-SALE INVESTMENTS

The investments represent investments in equity securities and are designated as available-for-sale financial assets and have no fixed maturity or coupon rate.

The available-for-sale investment classified as non-current is an unlisted equity investment which the Group made in a company incorporated in the PRC in 2012. The available-for-sale investment classified as current is a listed equity investment in Singapore which had a revaluation gain of RMB45,000 for the three months period ended 31 March 2014 (three months period ended 31 March 2013: RMB1,291,000) which has been credited to the available-for-sale investment revaluation reserve in the condensed consolidated statement of financial position.

**APPENDIX VI: UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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13. TRADE AND BILLS RECEIVABLES

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Trade receivables	21,879	9,572
Bills receivable	23,661	3,897
	<u>45,540</u>	<u>13,469</u>

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's bills receivable are non-interest-bearing and are normally settled on terms of 90 to 180 days. Trade and bills receivables are denominated in Renminbi ("RMB").

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice due date and net of provisions, is as follows:

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 month	17,818	2,152
1 to 3 months	3,106	819
3 to 6 months	176	2,372
6 to 12 months	540	3,990
More than 12 months	239	239
	<u>21,879</u>	<u>9,572</u>

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14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Time deposits	213,885	148,961
Less: Pledged time deposits	<u>(213,885)</u>	<u>(148,961)</u>
	-	-
Cash at banks and on hand	<u>378,221</u>	<u>797,813</u>
Cash and cash equivalents	<u><u>378,221</u></u>	<u><u>797,813</u></u>

At 31 March 2014, the cash and cash equivalents of the Group denominated in RMB amounted to RMB378,221,000 (31 December 2013: RMB797,813,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within 1 month	53,635	66,288
1 to 3 months	10,782	11,115
3 to 6 months	22,125	4,504
6 to 12 months	1,030	2,143
Over 12 months	<u>5,136</u>	<u>4,121</u>
	<u><u>92,708</u></u>	<u><u>88,171</u></u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Trade payables are denominated in RMB.

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16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 March 2014			31 December 2013		
	Contractual interest rate	Maturity	RMB'000 (Unaudited)	Contractual interest rate	Maturity	RMB'000 (Audited)
CURRENT						
Bank loans						
– secured	1.81% to 7.1%	2014	113,136	6.1% to 7.1%	2014	94,983
– unsecured	5.7% to 7.1%	2014	242,500	6.1% to 7.1%	2014	40,000
Loan from the government						
– unsecured (note)	Floating rate at 0.3% above the market prime lending rate	2014	909			–
			356,545			134,983
NON-CURRENT						
Bank loans						
– unsecured	5.84% to 6.65%	2015 to 2018	2,684,724	1.81% to 7.32%	2015 to 2018	2,831,468
Loan from the government						
– unsecured (note)	Floating rate at 0.3% above the market prime lending rate	2020	5,455	Floating rate at 0.3% above the market prime lending rate	2020	6,364
			2,690,179			2,837,832
			3,046,724			2,972,815
				31 March 2014 RMB'000 (Unaudited)		31 December 2013 RMB'000 (Audited)
Analysed into:						
Bank loans repayable:						
Within one year or on demand				355,636		134,983
In the second year				878,000		1,240,756
In the third to fifth years, inclusive				1,806,724		1,590,712
				3,040,360		2,966,451
Other borrowing repayable:						
Within one year				909		–
In the second year				909		–
In the third to fifth years, inclusive				4,546		6,364
				6,364		6,364
				3,046,724		2,972,815

Note: The loan from the government bears interest at a floating rate of 0.3% (31 December 2013: 0.3%) above the market prime lending rate and is to be repaid by RMB909,000 each year.

The fair values of the Group's interest-bearing bank and other borrowings approximate to their carrying values.

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17. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction - interest capitalisation:

During the period, no interest expenses were capitalised to property, plant and equipment (31 March 2013: RMB9,073,000).

18. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

19. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had outstanding operating lease agreements for buildings in Mainland China. Certain of these leases have options for renewal. Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Within one year	74,645	74,672
In the second to fifth years, inclusive	206,536	224,945
After five years	30,536	30,784
	<u>311,717</u>	<u>330,401</u>

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital and other commitments at the end of the reporting period:

	31 March 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Capital commitments:		
Contracted, but not provided for		
Buildings	287,066	380,379
Plant and machinery	1,384,617	1,144,582
Coal mining	50,517	51,849
	<u>1,722,200</u>	<u>1,576,810</u>
Authorised, but not contracted for Plant and machinery	-	1,344,000
	<u>1,722,200</u>	<u>2,920,810</u>
Other commitments:		
Purchases of raw materials	-	499

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21. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the period:

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd. #	443	377
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #	5	32
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	56	50
– Xinxiang Yuyuan Chemical Co., Ltd. #	175	147
– Xinxiang Xinlianxin Hotel Co., Ltd. #	54	52
Purchases of items of property, plant and equipment from:		
– Xinjiang An Tai Shenzhou Heavy Sealing Co., Ltd. #	1,926	–
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	3,314	2,253
Service fee expenses for provision of lifting services from:		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #	582	903
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd. #	560	–
Service fee expenses to:		
– Xinxiang Xinlianxin Hotel Co., Ltd. #	678	574
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #	210	40
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	703	7
– Henan Shenzhou Heavy Sealing Co., Ltd. #	–	11
– Xinxiang Yuyuan Chemical Co., Ltd. #	–	8

These companies are subsidiaries of Henan Xinlianxin Chemicals Group Co., Ltd. (“Henan Chemicals”), which has common shareholders with the Company. The Company's executive directors and executive officers have certain equity interests and significant influence in Henan Chemicals.

- (b) Compensation of directors and key management personnel of the Group:

	Three months ended 31 March	
	2014 (Unaudited) RMB'000	2013 (Unaudited) RMB'000
Directors' fee	201	201
Salaries and bonuses	1,200	2,373
Contributions to defined contribution plans	14	12
Total compensation paid to key management personnel	<u>1,415</u>	<u>2,586</u>

22. SEASONALITY OF OPERATIONS

Due to the seasonal weather conditions, the sales of compound fertiliser are subject to seasonal fluctuations, with peak demand in the third quarter of the year.

23. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information for the financial period from 1 January 2014 to 31 March 2014 were approved and authorised for issue in accordance with a resolution of the board of directors on 30 May 2014.

APPENDIX VII: LETTER FROM THE IFA ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2014



ING Bank N.V., Singapore Branch
9 Raffles Place
#19-02 Republic Plaza
Singapore 048619

ING Bank N.V., Hong Kong Branch
36/F., One International Finance Centre
1 Harbour View Street
Central, Hong Kong

30 May 2014

The Board of Directors
China XLX Fertiliser Ltd.
80 Robinson Road #02-00
Singapore 068898

Dear Sirs,

- (A) **THE PROPOSED CONDITIONAL CASH EXIT OFFER BY THE JOINT FINANCIAL ADVISORS FOR AND ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) TO ACQUIRE ALL THE ISSUED ORDINARY SHARES IN THE CAPITAL OF CHINA XLX FERTILISER LTD. OTHER THAN (I) THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR CONCERT GROUP; (II) THE UNDERTAKING SHARES AND (III) THE UNDERTAKING BONDS; AND**
- (B) **THE PROPOSED VOLUNTARY DELISTING OF THE SHARES OF CHINA XLX FERTILISER LTD. FROM THE OFFICIAL LIST OF THE MAINBOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) PURSUANT TO RULES 1307 AND 1309 OF THE MAINBOARD RULES OF THE LISTING MANUAL OF THE SGX-ST**

On 31 March 2014, Pioneer Top Holdings Limited (“Offeror”) and China XLX Fertiliser Ltd. (“China XLX”) jointly announced that the Offeror has presented to the directors of China XLX the formal proposal dated 31 March 2014 to seek the voluntary delisting of China XLX from the SGX-ST (“Delisting”) pursuant to Rules 1307 and 1309 of the mainboard rules of the listing manual of the SGX-ST.

We have examined the unaudited consolidated financial statements of China XLX for the three-month period ended 31 March 2014 (the “1Q2014 Results”) and have discussed the same with the management of China XLX. We have also considered the independent auditor’s review report dated 30 May 2014 on the interim financial information of China XLX and its subsidiaries and associated companies (“China XLX Group”) for the three-month period ended 31 March 2014. Based on the above, we are of the opinion that the 1Q2014 Results have been prepared by China XLX after due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with us by China XLX. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of China XLX. Save as provided in this letter, we do not express any other opinion or views on the 1Q2014 Results. The board of directors of China XLX remain solely responsible for the 1Q2014 Results.

**APPENDIX VII: LETTER FROM THE IFA ON THE UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS OF THE GROUP FOR 1QFY2014**

This letter is provided to the board of directors of China XLX solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and Rule 10.9 of the Codes on Takeover of Hong Kong and not for any other purpose. We do not accept any responsibility to any person(s), other than the board of directors of China XLX, in respect of, arising out of, or in connection with this letter.

Yours faithfully,

For and on behalf of

ING Bank N.V., Singapore Branch

ING Bank N.V., Hong Kong Branch

Grenville Thynne
Managing Director

Andrew Lau
Director

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

The rights of Shareholders in respect of capital, voting and dividends are contained in the Articles of Association of the Company, the relevant provisions of which are set out below:

Rights in respect of capital

ISSUE OF SHARES

3. (A) Subject to the Act and to these Articles, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the Designated Stock Exchange's listing rules. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.
 - (B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
 - (C) Except so far as otherwise provided by the conditions of issue or by these Articles, all new shares shall be issued subject to the provisions of the Statutes and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
4. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.
 5. (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date (as determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

- (B) Notwithstanding Article 5(A) above, the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:
- (a) (i) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Designated Stock Exchange;
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Designated Stock Exchange for the time being in force (unless such compliance is waived by the Designated Stock Exchange) and these Articles; and
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

- (C) The Company may, notwithstanding Articles 5(A) and 5(B) above, authorize the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

6. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.
7. Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

8. (A) Preference shares may be issued subject to such limitation thereof as may be prescribed by the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrear.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- 8A. Except as allowed by the Statutes and subject further to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority, the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.
- 8B. The Board, subject to what is allowed by the Statutes, may issue warrants to subscribe for any class of Shares or other securities of the Company and such warrants may be issued on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.
- 8C. No Shares shall be issued to bearer.

VARIATION OF RIGHTS

9. (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Articles relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

10. The Company may by Ordinary Resolution:
- (a) consolidate and divide all or any of its share capital;
 - (b) sub-divide its shares, or any of them, provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;
 - (c) convert or exchange any class of shares into or for any other class of shares;
 - (d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled; and/or
 - (e) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in General Meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting".
11. (A) Subject to a special resolution being passed by the shareholders of the Company in general meeting and court approval being obtained, the Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law and by way of special resolution with approval from the court in reducing its share capital.
- (B) The Company may purchase or otherwise acquire its issued shares (which expression as used in this Article includes redeemable Shares) out of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for the purposes of such purchase or acquisition subject to and in accordance with the provisions of the Statutes and any applicable rules of the Designated Stock Exchange hereafter, the "Relevant Laws"), on such terms and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

SHARE CERTIFICATES

12. (A) Every certificate shall be issued under the Seal and shall bear the facsimile signatures or the autographic signatures at least of any two Directors or one of the Director and the Secretary or such other person as may be authorised by the Directors, and shall specify the number and class of shares to which it relates and the amount paid up and the amount (if any) unpaid thereon. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the Directors of the Company. No certificate shall be issued representing shares of more than one class.
- (B) The provisions in this Article and in Articles 13 to 16 (so far as they are applicable) shall not apply to transfer of book-entry securities.
13. (A) The Company shall not be bound to register more than four persons as joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased Member.
- (B) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the joint holders shall be sufficient delivery to all.
14. Every person whose name is entered as a Member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the closing date of any application for shares or (as the case may be) the date of lodgement of a registrable transfer, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.
15. (A) Where a Member transfers part only of the shares comprised in a certificate or where a Member requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares (in the case of transfer) and the whole of such shares (in the case of sub-division) shall be issued in lieu thereof and the Member shall pay (in the case of sub-division) a maximum fee of S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) for each new certificate. Where some only of the shares comprised in a share certificate are transferred, the new certificate for the balance of such shares shall be issued in lieu thereof without charge.
- (B) Any two or more certificates representing shares of any one class held by any Member may at his request be cancelled and a single new certificate for such shares issued in lieu thereof without charge.
16. Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated Stock Exchange or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

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CALLS ON SHARES

17. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed and may be made payable by instalments.
18. Each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.
19. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.
20. Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
21. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.
22. The Directors may if they think fit receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the Member paying such sum and the Directors may agree. The Board may at any time repay the amount so advanced upon giving to such Member not less than one month's notice of its intention in that regard, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in profits.

FORFEITURE AND LIEN

23. If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.
24. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be made forfeit.
25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be made forfeit by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeit share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be made forfeit hereunder.

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26. A share so made forfeit or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorize some person to transfer a share so made forfeit or surrendered to any such other person as aforesaid.
27. A Member whose shares have been made forfeit or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.
28. The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article 28.
29. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
30. The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorize some person to transfer the shares sold to the purchaser.
31. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly made forfeit or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, the Depository Register) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share, or where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

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TRANSFER OF SHARES

32. All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated Stock Exchange. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided always that an instrument of transfer in respect of which the transferee is the CDP shall be effective although not signed or witnessed by or on behalf of the CDP, or if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.
- 32A. Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Members shall be transferred to any branch Register of Members nor shall shares on any branch Register of Members be transferred to the Register of Members or any other branch Register of Members and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the Register of Members, at the office or such other place at which the Register of Members is kept in accordance with the Statutes.
33. The Registers of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated Stock Exchange, stating the period and purpose or purposes for which such closure is made.
34. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) The Directors may decline to register any instrument of transfer unless:
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of

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the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(d) the instrument of transfer is in respect of only one class of shares.

35. All instruments of transfer which are registered may be retained by the Company.
36. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

TRANSMISSION OF SHARES

37. (A) In case of the death of a Member whose name is registered in the Register of Members, the survivors or survivor, where the deceased was a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (B) In the case of the death of a Member who is a Depositor, the survivors or survivor, where the deceased is a joint holder, and the executors or administrators of the deceased, where he was a sole or only surviving holder and where such executors or administrators are entered into the Depository Register in respect of any shares to the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (C) Nothing herein contained shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.
38. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, elect either to be registered himself as holder of the share or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer

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and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member.

39. Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a Member (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same Dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to General Meetings of the Company until he shall have been registered as a Member in respect of the share.
40. There shall be paid to the Company in respect of the registration of any probate or letters of administration or certificate of death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated Stock Exchange from time to time) as the Directors may from time to time require.

CENTRAL DEPOSITORY SYSTEM

41. A reference to a Member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP or a clearing house (as the case may be), the Depositors on behalf of whom CDP or a clearing house (as the case may be) holds the shares, Provided that:
 - (a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP or a clearing house (as the case may be) forty-eight (48) hours before the General Meeting as a Depositor on whose behalf CDP or a clearing house (as the case may be) holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP or the clearing house (as the case may be) as supplied by CDP or the clearing house (as the case may be) to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;
 - (b) the payment by the Company to CDP or a clearing house (as the case may be) of any Dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;
 - (c) the delivery by the Company to CDP or a clearing house (as the case may be) of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and

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- (d) the provisions in these Articles relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

EXCLUSION OF EQUITIES

42. Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these Articles contained relating to CDP or a clearing house (as the case may be) or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

REGISTER OF MEMBERS

- 42A. (1) The Company shall keep in one or more books a Register of Members and shall enter therein the following particulars, that is to say:
- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
 - (b) the date on which each person was entered in the Register of Members; and
 - (c) the date on which any person ceased to be a Member.
- (2) The Company may keep and overseas or local or other branch Register of Members resident in any place, and the Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a registration office (the "Registration Office") in connection therewith.
- 42B. The Register of Members and branch Register of Members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by members without charge or by any other person, upon a maximum payment of S\$2.50 or such lesser sum specified by the Board, at the Office or such other place at which the Register of Members is kept in accordance with the Statutes or, if appropriate, upon a maximum payment of S\$1.00 or such lesser sum specified by the Board at the Registration Office. The Register of Members including any overseas or local or other branch Register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

RECORD DATES

- 42C. Notwithstanding any other provision of these Articles, but subject to the rules of the Designated Stock Exchange, the Company or the Directors may fix any date as the record date for:
- (a) determining the Members entitled to receive any dividend, distribution, allotment or issue; and

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- (b) determining the Members entitled to receive notice of and to vote at any general meeting of the Company.

STOCK

- 43. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.
- 44. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles as and subject to which the shares from which the stock arose might previous to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.
- 45. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

Rights in respect of voting

GENERAL MEETINGS

- 46. An Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not exceed four months or such other period as prescribed by the Act or other legislation applicable to the Company from time to time.
- 47. The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

NOTICE OF GENERAL MEETINGS

- 48. Any Annual General Meeting shall be called by twenty-one clear business days' notice in writing at the least and any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall also be called by twenty-one clear business days' notice in writing at the least. All other Extraordinary General Meetings shall be called by fourteen clear business days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of these Articles entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:
 - (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and

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- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen clear business days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated Stock Exchange, and in the case of any Annual General Meeting, or any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one clear business days' notice in writing of such Annual General Meeting or Extraordinary General Meeting shall be given to the Designated Stock Exchange. For the avoidance of doubt, "business day" shall mean any day on which the Stock Exchange of Hong Kong Limited is open for business of dealing in securities.

- 49. (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.
 - (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
 - (C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.
 - (D) The notice shall disclose any material interests of any director in the matter dealt with by the resolution insofar as the resolution affects that interest differently from the interests of other Members of the Company.
50. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:
- (a) declaring Dividends;
 - (b) receiving and adopting the accounts, the reports of the Directors and Auditors and other documents required to be attached or annexed to the accounts;
 - (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
 - (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
 - (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
 - (f) fixing the Directors fees.
51. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

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PROCEEDINGS AT GENERAL MEETINGS

52. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any General Meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the General Meeting.
53. No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present.
54. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint.
55. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.
56. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting.
57. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the General Meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.
58. At any General Meeting a resolution put to the vote of the meeting shall be decided on a poll.
59. Unless a poll is required, a declaration by the chairman of the General Meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the General Meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the General Meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
60. In the case of an equality of votes, the chairman of the General Meeting at which the poll is demanded shall be entitled to a casting vote.

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61. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the Meeting) and place as the chairman of the Meeting may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the General Meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

62. Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, and to Article 4, each Member entitled to vote may vote in person or by proxy. A resolution put to the vote of a meeting shall be decided on a poll by every Member who is present in person or by proxy shall have one vote for every share of which he holds or represents. For the purposes of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the references to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant General Meeting as certified by CDP or a clearing house (as the case may be) to the Company. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any General Meeting.
63. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.
64. Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.
65. No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.
- 65A. Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.
66. No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive.
67. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

68. (A) A Member shall be entitled to appoint more than one proxy to attend and vote at the same General Meeting. However, if the Member is a Depositor, the Company shall be entitled and bound:
- (a) to reject any instrument of proxy lodged by the Depositor if it is not shown in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company that there are any shares entered against such Depositor's name, as at 48 hours before the time of the relevant General Meeting; and
 - (b) to accept the number of shares entered against the name of that Depositor in the Depository Register as certified by CDP or a clearing house (as the case may be) to the Company as at 48 hours before the time of the relevant General Meeting as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll, regardless of whether such number is greater or smaller than the number specified in the instrument of proxy lodged by that Depositor.
- (B) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- (C) A proxy need not be a Member of the Company.
69. (A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:
- (a) in the case of an individual Member, shall be signed by the Member or his attorney duly authorised in writing; and
 - (b) in the case of a Member which is a corporation shall be either given under its common seal or signed on its behalf by an attorney duly authorised in writing or a duly authorized officer of the corporation.
- (B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument of proxy may be treated as invalid.
70. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.
71. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll and to speak at the General Meeting.

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

72. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.
73. Subject to these Articles and the Statutes, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

CORPORATIONS ACTING BY REPRESENTATIVES

74. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any General Meeting. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Articles (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorized is present thereat.
- 74A. If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)).

Rights in respect of dividends

RESERVES

122. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same, the Directors shall comply with the provisions of the Statutes.

DIVIDENDS

123. The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.
124. If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

125. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:
- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
 - (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

126. (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such moneys unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company provided always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture. If CDP or a clearing house (as the case may be) returns any such Dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such Dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such Dividend or the date on which such other moneys are first payable.
- (B) A payment by the Company to CDP or a clearing house (as the case may be) of any Dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.
127. No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.
128. (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.
129. The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.
130. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

resolution, provided that the amount of its net assets shall not be less than the aggregate of its called up share capital and undistributable reserves; and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

131. Any Dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct.

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

132. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend or other moneys payable or property distributable on or in respect of the share.
133. Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

BONUS ISSUES AND CAPITALIZATION OF PROFITS AND RESERVES

134. (A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 5(B)):
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or

APPENDIX VIII: RELEVANT EXCERPTS FROM THE COMPANY'S ARTICLES OF ASSOCIATION

- (b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:
 - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 5(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.
- (B) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under this Article 134, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (C) In addition and without prejudice to the powers provided for by this Article 134, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any Dividend on any shares entitled to cumulative or non-cumulative preferential Dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting and on such terms as the Directors shall think fit.

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA XLX FERTILISER LTD.

中國心連心化肥有限公司*

(Incorporated in Singapore on 17 July 2006)

(Company Registration No. 200610384G)

(Singapore Stock Code: B9R)

(Hong Kong Stock Code: 1866)

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of the shareholders (“**Shareholders**”) of China XLX Fertiliser Ltd. (“**Company**”) will be held at Amara Sanctuary Resort Sentosa, 1 Larkhill Road Sentosa, Singapore 099394 on 21 July 2014 at 11:00 a.m. (Hong Kong and Singapore time) for the purpose of considering and, if thought fit, proposing and passing, with or without amendments, the following resolution, in accordance with the requirements of Rule 1307 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”):

RESOLUTION

APPROVAL FOR THE VOLUNTARY DELISTING OF THE COMPANY

THAT:

- (i) the voluntary delisting of the Company from the Official List of the Mainboard of the SGX-ST under Rules 1307 and 1309 of the listing manual of the SGX-ST (“**Delisting Proposal**”), pursuant to which CITIC Securities Corporate Finance (HK) Limited and CLSA Singapore Pte Ltd, will make the Exit Offer (as defined in the circular dated 18 June 2014 (“**Circular**”)), for and on behalf of Pioneer Top Holdings Limited, to shareholders of the Company on the terms and conditions set out in the Circular, be and is hereby approved; and
- (ii) the directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such acts and things as they may consider necessary or expedient to give effect to the Delisting and/or this Resolution, with such modification thereto (if any) as they shall deem fit in the interests of the Company.

By Order of the Board of
CHINA XLX FERTILISER LTD.

Liu Xingxu

Chairman, Chief Executive Officer and executive Director

18 June 2014
Singapore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A member of the Company entitled to vote at the above EGM may appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company. Where a member of the Company appoints more than one proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- (2) The instrument appointing a proxy shall, in the case of an individual, be signed by the appointer or his attorney, and in the case of a corporation shall be either under the common seal or signed by its attorney or an officer on behalf of the corporation.
- (3) The instrument appointing the proxy must be lodged at the Company's registered office, or the office of the Principal Share Registrar in Singapore, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #02-22, Singapore 068898 (for Singapore shareholders), or at the office of the Company's Hong Kong Share Transfer Agent and Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong shareholders), not less than forty-eight (48) hours before the time for holding the EGM.